

ORIGINAL

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Attorneys for Plaintiff
QBE Insurance International, Inc.

FILED
DISTRICT COURT OF GUAM
MAR - 4 2004
MARY L. M. MORAN
CLERK OF COURT

(1)

IN THE U.S. DISTRICT COURT OF GUAM
TERRITORY OF GUAM

QBE INSURANCE (INTERNATIONAL)
LIMITED,

TAX CASE NO. CV 04-00011

Plaintiff,

vs.

COMPLAINT

GOVERNMENT OF GUAM,

Defendants.

Plaintiff QBE INSURANCE (INTERNATIONAL) LIMITED (hereinafter referred to as the "Plaintiff"), for its complaint against Defendant GOVERNMENT OF GUAM (hereinafter referred to as the "Defendant"), hereby alleges and avers as follows:

1. This is a complaint to recover a claim of refund due and owing to Plaintiff under the Guam Territorial Income Tax (hereinafter referred to as "GTIT"). Jurisdiction is vested in this court pursuant to 48 U.S.C. §1424 and 48 U.S.C. §1421i(h)(1).

2. This action arises under the provisions of 48 U.S.C. §1421i(h)(2), 28 U.S.C. §1346(a)(1) and also 26 U.S.C. §7422.

3. Plaintiff, whose Employer Identification Number is 66-0516613, is a corporation duly licensed to conduct business on Guam.

4. Defendant is the Government of Guam, the entity responsible for the payment of tax refunds to Guam taxpayers.

5. Venue is properly vested in this district court pursuant to 48 U.S.C. §1421i(h)(1).

Facts

6. Plaintiff refers to and incorporates herein as fully set forth each and every allegation of paragraphs 1 through 5 of this Complaint.

7. On September 15, 2000, Plaintiff timely filed its Form 1120-PC Income Tax Return for the tax year 1999 (hereinafter referred to as the "1999 GTIT Return") with the Department of Revenue and Taxation, Government of Guam (hereinafter referred to as "DRT"). A true and correct copy of the 1999 GTIT Return is attached hereto as Exhibit "A" and incorporated herein by reference.

8. As indicated in Line 19 of Plaintiff's 1999 GTIT Return, Plaintiff over paid taxes in the amount of \$144,694.00.

9. Pursuant to Line 20 of the 1999 GTIT Return, Plaintiff elected to have the entire overpayment of \$144,694.00 credited towards Plaintiff's estimated tax for the year 2000.

10. On September 24, 2001, Plaintiff timely filed its Form 1120-PC Income Tax Return for the tax year 2000 with DRT (hereinafter referred to as the "2000 GTIT Return"). A true and correct copy of the 2000 GTIT Return is attached hereto as Exhibit "B" and incorporated herein by reference.

11. As indicated in Line 1 of Plaintiff's 2000 GTIT Return, Plaintiff incurred a loss in the amount of \$493,442.00 for the tax year 2000.

12. Line 17 of the 2000 GTIT Return indicates that the Plaintiff overpaid taxes in the amount of \$254,694.00 for said year. The overpayment, as shown in lines 14b and 14c of the 2000 GTIT Return, comprised of Plaintiff's 1999 overpayment of \$144,694.00, which was fully credited to Plaintiff's 2000 taxes, and Plaintiff's 2000 estimated tax payments in the amount of \$110,000.00.

13. Pursuant to Line 20 of the 2000 GTIT Return, Plaintiff elected to have the entire overpayment of \$254,694.00 credited towards Plaintiff's estimated tax for the year 2001.

14. On January 18, 2002, Plaintiff timely filed with the Department of Revenue and Taxation, Government of Guam, an Amended U.S. Corporation Income Tax Return for the tax year 1999 (hereinafter referred to as the "Amended 1999 GTIT Return"). A true and correct copy of the Amended 1999 GTIT Return is attached hereto as Exhibit "C" and incorporated herein by reference.

15. As indicated in Line 11 of the Amended 1999 GTIT Return, Plaintiff was seeking and entitled to a refund in the amount of \$167,770.00 for the year 1999.

16. On January 30, 2002, Plaintiff timely filed an Application For Quick Refund of Overpayment of Estimated Tax Form 4466 with DRT, seeking to recover its refund in the amount of \$254,694.00 for the years 1999 and 2000 (hereinafter referred to as the "2000 Quick Refund Application"). A true and correct copy of the 2000 Quick Refund Application is attached hereto as Exhibit "D" and incorporated herein by reference.

17. On July 30, 2002, Plaintiff timely filed its Form 1120-PC Income Tax Return for the tax year 2001 with DRT (hereinafter referred to as the "2001 GTIT Return"). A true and correct copy of the 2001 GTIT Return is attached hereto as Exhibit "E" and incorporated herein by reference.

18. As noted in Line 1 of the 2001 GTIT Return, Plaintiff incurred a loss in the amount of \$490,677.00 for the year 2001.

19. Line 17 of the 2001 GTIT Return indicates that Plaintiff overpaid taxes in the amount of \$254,694.00.

20. Pursuant to Lien 20 of the 2001 GTIT Return, Plaintiff elected to have the entire overpayment of \$254,694.00 credited towards Plaintiff's estimated tax for the year 2002.

21. On November 20, 2002, Plaintiff received a cash GTIT refund for the tax year 1999 from the Defendant in the amount of \$167,770.00 as claimed in Plaintiff's Amended 1999 GTIT Return.

22. In January of 2002, Plaintiff attempted without success to obtain a cash refund from the Department of Revenue and Taxation, Government of Guam, for the tax overpayment of \$254,694.00 for the tax years 1999 and 2000.

23. As an alternative to the refund, Plaintiff proposed to DRT that, if DRT agreed to apply Plaintiff's overpayment of \$254,694.00 against Plaintiff's future gross receipts tax liability, Plaintiff would waive any accrued interest it may be entitled to in connection with the GTIT refund due and owing to Plaintiff.

24. DRT, by and through its then acting director, George V. Cruz, verbally agreed to Plaintiff's proposal.

25. Plaintiff, subsequent to January of 2002, had several discussions with representatives of DRT concerning the implementation of the application of Plaintiff's tax overpayments to its gross receipts tax liability.

26. Despite the agreement and discussions, DRT failed to implement the application of the GTIT overpayment in the amount of \$254,694.00 towards Plaintiff's gross receipts tax liability.

27. As of the filing of this Complaint, Plaintiff is current in all gross receipts tax filings and payments.

28. On July 1, 2003, Plaintiff timely filed its Form 1120-PC Income Tax Return for the year 2002 with DRT (hereinafter referred to as the "2002 GTIT Return"). A true and correct copy of the 2002 GTIT Return is attached hereto as Exhibit "F" and incorporated herein by reference.

29. As noted in Lines 1 and 37 of Plaintiff's 2002 GTIT Return, Plaintiff had no taxable income for the year 2002.

30. Line 17 of the 2002 GTIT Return indicates that Plaintiff overpaid taxes in the amount of \$248,591.00 for 2002. The overpayment, as shown in Lines 14a and 10 of the 2002 GTIT Return, comprised of Plaintiff's 2001 tax overpayment of \$254,694.00 which was fully credited to 2002 taxes less Plaintiff's tax on income not connected with Guam business in the amount of \$6,103.00.

31. Pursuant to Line 18 of the 2002 GTIT Return, Plaintiff elected to have the entire overpayment of \$248,591.00 refunded to Plaintiff (hereinafter referred to as the "2002 Claim of Refund").

32. On December 23, 2003, Plaintiff, through its counsel, wrote to DRT requesting that a meeting be arranged to discuss the payment of the 2002 Claim of Refund due and owing to Plaintiff. A true and correct copy of the December 23, 2003 letter to DRT is attached hereto as Exhibit "G" and incorporated herein by reference.

33. As of the filing of this Complaint, DRT has not responded to the letter of December 23, 2003.

34. On February 20, 2004, Plaintiff, through its representatives and agents, made an additional attempt to resolve the issue concerning payment of Plaintiff's claim of refund without instituting suit by writing to DRT requesting that the parties meet to discuss payment of the refund. A true and correct copy of the February 20, 2004 letter to DRT is attached hereto as Exhibit "H" and incorporated herein by reference.

35. Plaintiff, in the letter of February 20, 2004, informed DRT that if DRT did not contact Plaintiff or its counsel by February 25, 2004, Plaintiff would institute suit to recover its 2002 Claim of Refund immediately thereafter.

36. As of the filing of this Complaint, DRT has not responded to the letter of February 20, 2004.

37. Plaintiff has paid all GTIT taxes due for the tax years 1999 through 2002.

38. Plaintiff has not received, as of the filing of this Complaint, any Notice of Deficiency or Disallowance from the Department of Revenue and Taxation, in connection with the filing of its 1999 through 2002 GTIT Returns and its claim of refund set forth thereunder.

39. As of the filing of this Complaint, Defendant has not paid any money to Plaintiff towards its 2002 Claim of Refund.

Cause of Action

40. Plaintiff refers to and incorporates herein as fully set forth each and every allegation of paragraphs 1 through 36 of this Complaint.

41. Plaintiff's 2002 GTIT Return constitutes its claim of refund, filed under penalty of perjury, according to the provisions of law and the regulations of the Secretary of the Treasury, as required by 26 U.S.C. § 7422(a) and IRC Reg. § 301.6402-3(a)(5).

42. More than six (6) months have passed since the filing date of Plaintiff's 2002 GTIT Return and no action has been taken by Defendant on the 2002 Claim of Refund.

43. Plaintiff, by its numerous attempts to seek payment of its 2002 Claim of Refund without instituting suit and awaiting a period of more than six (6) months for payment of its 2002 Claim of Refund set forth in the 2002 GTIT Return, has exhausted all its administrative remedies in pursuit of the recovery of its claim.

44. Although Plaintiff has demanded payment of its 2002 Claim of Refund on July 1, 2003, December 23, 2003 and February 20, 2004, no part of such claim due and owing from Defendant to Plaintiff has been paid.

45. Plaintiff has been damaged by the Defendant's failure to pay the 2002 Claim of Refund in the amount of \$248,591.00 together with applicable interest, attorney fees and costs according to law and proof.

46. Plaintiff is fully entitled pursuant to law and proof to recover its 2002 Claim of Refund together with applicable interest thereon, and reasonable attorney fees and costs pursuant to 26 U.S.C. §7430.

WHEREFORE, Plaintiff prays for judgment as follows:

1. That Plaintiff recover the sum of \$248,591.00 which constitutes Plaintiff's claim of refund for the tax year of 2002 together with interest thereon according to law and proof;

2. That Plaintiff recover reasonable attorneys fees and costs for prosecution of this action according to law and proof; and

3. For such other relief that the court may deem just and proper.

DATED: Hagåtña, Guam, March 4th, 2004.

CARLSMITH BALL LLP

M. Sayre

MEREDITH M. SAYRE
DONALD V. CALVO
Attorneys for Plaintiff
QBE Insurance (International) Limited

Form 1120-PC

U.S. Property and Casualty Insurance Company
Income Tax Return

OMB No. 1545-1027

Department of the Treasury
Internal Revenue ServiceFor calendar year 1999, or tax year beginning 1999, and ending
► Instructions are separate. See page 18 for Paperwork Reduction Act Notice.

1999

A Check applicable box if an election has been made under section(s):
 (1) 953(c)(3)(C)
 (2) 953(d)

Please type or print
Name
QBE INSURANCE (INT'L.) LIMITED
Number and street, and room or suite no. (If a P.O. box, see page 5 of Instructions)
674 HARMON LOOP ROAD
City or town, state, and ZIP code
DEDEDO, GU 96912

B Employer identification number
66 0516613
C Date incorporated
OCTOBER 1, 1986
D Check if a consolidated return
(Attach Form 851)

E Check if: (1) Final return (2) Change of address (3) Amended return

1	755356
2	
3	
4	256821
5	
6	256821
7a	
7b	
7c	
7d	15442
7e	15442
8	241379
9	
10	
11	
12	
13	241379
14	
15	241379
16a	4843
16b	
16c	549000
16d	
16f	553843
16g	
16h	
16i	
17	
18	
19	312464
20	167770

Tax Computation and Payments

1 Taxable income (Schedule A, line 37)
 2 Taxable investment income for electing small companies (Schedule B, line 21)
 3 Check if a member of a controlled group (see sections 1561 and 1563) ►
 Important: Members of a controlled group, see Instructions on page 6.
 a If the box on line 3 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) \$ (2) \$ (3) \$
 b Enter the corporation's share of: (1) additional 5% tax (not to exceed \$11,750) \$
 (2) additional 3% tax (not to exceed \$100,000) \$
 4 Income tax
 5 Enter amount of tax that a reciprocal must include
 6 Total. Add lines 4 and 5
 7a Foreign tax credit (attach Form 1118)
 b Other credits (see page 7 of Instructions)
 c General business credit. Enter here and check which forms are attached:
 3800 3468 5884 6478 6765
 3586 8830 8826 8835 8844
 8845 8846 8820 8847 8861
 d Credit for prior year minimum tax (attach Form 8827)
 e Total credits. Add lines 7a through 7d.
 8 Subtract line 7e from line 6
 9 Foreign corporations—Tax on income not connected with U.S. business
 10 Personal holding company tax (attach Schedule PH (Form 1120))
 11 Recapture taxes. Check if from: Form 4255 Form 8611
 12 Alternative minimum tax (attach Form 4626)
 13 Add lines 8 through 12
 14 Qualified zone academy bond credit (attach Form 8860)
 15 Total tax. Subtract line 14 from line 13
 16a 1998 overpayment credited to 1999
 16b Prior year(s) special estimated tax payments to be applied
 16c 1999 estimated tax payments (See Instructions)
 16d 1999 special estimated tax payments (Do not include on line 16i)
 16e 1999 refund applied for on Form 4466
 f Enter the total of lines 16a through 16c less line 16e
 g Tax deposited with Form 7004
 h Credit by reciprocal for tax paid by attorney-in-fact under section 835(d)
 i Other credits and payments
 17 Estimated tax penalty (see page 8 of Instructions). Check if Form 2220 is attached ►
 18 TAX DUE. If line 16j is smaller than the total of lines 15 and 17, enter AMOUNT OWED
 19 OVERPAYMENT. If line 16j is larger than the total of lines 15 and 17, enter AMOUNT OVERPAID
 20 Enter amount of line 19 you want: Credited to 2000 estimated tax ► \$ 144694 Refunded ► \$ 167770

Sign
Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

01 11 02

Date

Title

Paid
Preparer's
Use Only

Preparer's
signature

Date

Check if
self-employed

Preparer's SSN or PTIN

303-64-6413

Firm's name (or your
if self-employed)
and address

EIN

► 66-0572328

J. SCOTT MAGLIARI & COMPANY
P.O. Box 12734, Tamuning, GU

ZIP code

► 96931

2000

Department of the Treasury
Internal Revenue ServiceFor calendar year 2000, or tax year beginning _____, 2000, and ending _____, 2000.
► Instructions are separate. See page 18 for Paperwork Reduction Act Notice.

A Check applicable box if an election has been made under section(s):
 (1) 953(c)(3)(C)
 (2) 953(d)

Please type or print

Name
OBE Insurance (International) LimitedNumber and street, and room or suite no. (If a P.O. box, see page 6 of Instructions)
674 Harmon Loop RoadCity or town, state, and ZIP code
Dededo, GU 96912B Employer identification number
66 0516613C Date incorporated
October 1, 1886D Check if a consolidated return
(Attach Form 851) E Check if: (1) Final return (2) Change of address (3) Amended return

- 1 Taxable income (Schedule A, line 37)
- 2 Taxable investment income for electing small companies (Schedule B, line 21)
- 3 Check if a member of a controlled group (see sections 1561 and 1563) ►
Important: Members of a controlled group, see instructions on page 6.
 - a If the box on line 3 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) \$ \$11,12,13 \$ \$
 - b Enter the corporation's share of: (1) additional 5% tax (not to exceed \$11,500) \$ \$
 - (2) additional 3% tax (not to exceed \$10,000) \$ \$
- 4 Income tax
- 5 Enter amount of tax that a reciprocal must income
- 6 Alternative minimum tax (attach Form 4626)
- 7 Total. Add lines 4 through 6
- 8a Foreign tax credit (attach Form 1118)
- 8b Other credits (see page 7 of instructions)
- 8c General business credit. Enter here and check which forms are attached:

<input type="checkbox"/> 3800	<input type="checkbox"/> 3468	<input type="checkbox"/> 5884	<input checked="" type="checkbox"/> 84782	<input type="checkbox"/> 7616765
<input type="checkbox"/> 8586	<input type="checkbox"/> 8830	<input type="checkbox"/> 8826	<input type="checkbox"/> 8835	<input type="checkbox"/> 8844
<input type="checkbox"/> 8845	<input type="checkbox"/> 8846	<input type="checkbox"/> 8820	<input type="checkbox"/> 8847	<input type="checkbox"/> 8861
- 8d Credit for prior year minimum tax (attach Form 8827)
- 8e Qualified zone academy bond credit (attach Form 8860)
- 8f Total credits. Add lines 8a through 8e
- 9 Subtract line 8f from line 7
- 10 Foreign corporations—Tax on income not connected with U.S. business
- 11 Personal holding company tax (attach Schedule PH (Form 1120))
- 12 Recapture taxes. Check if from: Form 4255 Form 8611.
- 13 Total tax. Add lines 9 through 12
- 14a 1999 overpayment credited to 2000

14a	144,694
-----	---------
- 14b Prior year(s) special estimated tax payments to be applied
- 14c 2000 estimated tax payments (See instructions)

14c	110,000
-----	---------
- 14d 2000 special estimated tax payments (Do not include on line 14f)
- 14e 2000 refund applied for on Form 4466

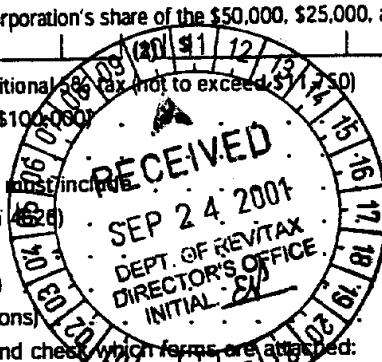
14e	()
-----	-----
- 14f Enter the total of lines 14a through 14c less line 14e

14f	254,694
-----	---------
- 14g Tax deposited with Form 7004
- 14h Credit by reciprocal for tax paid by attorney-in-fact under section 835(d)
- 14i Other credits and payments
- 14j Estimated tax penalty (see page 9 of instructions). Check if Form 2220 is attached ►
- 15 TAX DUE. If line 14j is smaller than the total of lines 13 and 15, enter AMOUNT OWED
- 16 OVERPAYMENT. If line 14j is larger than the total of lines 13 and 15, enter AMOUNT OVERPAID
- 17 Enter amount of line 17 you want: Credited to 2001 estimated tax ► \$ 254,694 Refunded ►

17	254,694
----	---------
- 18 Enter amount of line 17 you want: Credited to 2001 estimated tax ► \$ 254,694 Refunded ►

18	0
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Tax Computation and Payments



1	(493,442)
2	
3	
4	0
5	
6	
7	
8a	
8b	
8c	
8d	
8e	
8f	
9	
10	
11	
12	
13	0

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.				
	<i>[Signature]</i>		Date 09-24-01	Title Manager	
Preparer's signature <i>[Signature]</i>	Date 9/24/01	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN 303-64-6413		
Paid Preparer's Use Only	EIN ► 66 0572328				
Firm's name (or yours if self-employed), address, and ZIP code J. Scott Magliari & Co. P.O. Box 12734, Tamuning, GU 96931	Phone no. (671) 472-2680				

Schedule A Taxable Income—Section 832 (See page 9 of instructions.)

1 Premiums earned (Schedule E, line 7)	1	2,665,335
2 Dividends (Schedule C, line 14)	2	
3a Gross interest	(a) Interest received	(b) Amortization of premium
	312,678	
b Interest exempt under section 103		
	312,678	
c Subtract line 3b from line 3a	3d	312,678
d Taxable interest. Subtract line 3c, column (b) from line 3c, column (a)	4	
4 Gross rents	5	
5 Gross royalties	6	524
6 Capital gain net income (attach Schedule D (Form 1120))	7	
7 Net gain or (loss) (Form 4797, Part II, line 18, (attach Form 4797))	8	
8 Certain mutual fire or flood insurance company premiums (Section 832(b)(1)(D))	9	
9 Income on account of special income and deduction accounts	10	
10 Income from protection against loss account (See instructions)	11	
11 Mutual interinsurers or reciprocal underwriters—decrease in subscriber accounts	12	
12 Income from a special loss discount account (attach Form 8816)	13	69,916
13 Other income (attach schedule) See Other Income Stmt.	14	3,048,453
14 Gross income. Add lines 1 through 13	15	
15 Compensation of officers (attach schedule) (See page 10 of instructions)	16	439,243
16 Salaries and wages (less employment credits)	17	
17 Agency balances and bills receivable that became worthless during the tax year	18	
18 Rents	19	
19 Taxes and licenses	20c	
20a Interest ► b Less tax-exempt interest exp. ► c Bal. ►	21	
21 Charitable contributions (see page 11 of instructions for 10% limitation)	22	47,556
22 Depreciation (attach Form 4562)	23	
23 Depletion	24	
24 Pension, profit-sharing, etc., plans	25	
25 Employee benefit programs	26	1,293,164
26 Losses incurred (Schedule F, line 14)	27	
27 Additional deduction (attach Form 8816)	28	
28 Other capital losses (Schedule G, line 12, column (g))	29	
29 Dividends to policyholders	30	
30 Mutual interinsurers or reciprocal underwriters—increase in subscriber accounts	31	1,761,932
31 Other deductions (See page 12 of instructions) (attach schedule)	32	3,541,895
32 Total deductions. Add lines 15 through 31	33	(493,442)
33 Subtotal. Subtract line 32 from line 14		
34a Special deduction for section 833 organizations (Schedule H, line 6)	34a	
b Deduction on account of special income and deduction accounts	34b	
c Total. Add lines 34a and 34b	34c	
35 Subtotal. Subtract line 34c from line 33	35	(493,442)
36a Dividends-received deduction (Schedule C, line 25)	36a	
b Net operating loss deduction	36b	
c Total. Add lines 36a and 36b	36c	
37 Taxable income (subtract line 36c from line 35). Enter here and on page 1, line 1	37	(493,442)

Schedule B**Part I—Taxable Investment Income of Electing Small Companies—Section 834 (See page 13 of instructions.)**

	(a) Interest received	(b) Amortization of premium	
1a Gross interest			
b Interest exempt under section 103			
c Subtract line 1b from line 1a			
d Taxable interest. Subtract line 1c, column (b) from line 1c, column (a)			
2 Dividends (Schedule C, line 14)			1d
3 Gross rents			2
4 Gross royalties			3
5 Gross income from a trade or business, other than an insurance business, and from Form 4797			4
6 Income from leases described in sections 834(b)(1)(B) and 834(b)(1)(C)			5
7 Gain from Schedule D (Form 1120), line 14			6
8 Gross investment income. Add lines 1d through 7			7
9 Real estate taxes			8
10 Other real estate expenses			9
11 Depreciation (attach Form 4562)			10
12 Depletion			11
13 Trade or business deductions as provided in section 834(c)(8) (attach schedule)			12
14 Interest			13
15 Other capital losses (Schedule G, line 12, column (g))			14
16 Total. Add lines 9 through 15.			15
17 Investment expenses (attach schedule).			16
18 Total deductions. Add lines 16 and 17.			17
19 Subtract line 18 from line 8			18
20 Dividends-received deduction (Schedule C, line 25)			19
21 Taxable investment income. Subtract line 20 from line 19. Enter here and on page 1, line 2			20
			21

Part II—Invested Assets Book Values

(Complete only if claiming a deduction for general expenses allocated to investment income.)

	(a) Beginning of tax year	(b) End of tax year
22 Real estate		
23 Mortgage loans		
24 Collateral loans		
25 Policy loans, including premium notes		
26 Bonds of domestic corporations		
27 Stock of domestic corporations		
28 Government obligations, etc.		
29 Bank deposits bearing interest		
30 Other interest-bearing assets (attach schedule)		
31 Total. Add lines 22 through 30.		
32 Add columns (a) and (b), line 31		32
33 Mean of invested assets for the tax year. Enter one-half of line 32		33
34 Multiply line 33 by .0025		34
35 Income base. Line 1b, column (a) plus line 8 less the sum of line 1b, column (b) and line 16	35	
36 Multiply line 33 by .0375	36	
37 Subtract line 36 from line 35. Do not enter less than zero	37	
38 Multiply line 37 by .25		38
39 Limitation on deduction for investment expenses. Add lines 34 and 38.		39

Form 1120-PC (2000)

Schedule C **Dividends and Special Deductions**
 (See page 14 of instructions.)
Dividends-Received

	(a) Subject to section 832(b)(5)(B)	(b) Total dividends-received
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		

Dividends-Received Deduction**Deduction**

	(a) Subject to section 832(b)(5)(B)	(b) Total dividends-received deduction
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

Form 1120-PC (2000)

Schedule E Premiums Earned—Section 832 (See page 15 of instructions.)

1	Net premiums written	1	2,567,115
2	Unearned premiums on outstanding business at the end of the preceding tax year:		
a	Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and all unearned premiums of section 833 organizations . . .	2a	
b	Enter 90% of unearned premiums attributable to insuring certain securities .	2b	
c	Discounted unearned premiums attributable to title insurance	2c	
d	Enter 80% of all other unearned premiums.	2d	1,271,651
e	Total. Add lines 2a through 2d	2e	1,271,651
3	Total. Add lines 1 and 2e	3	3,838,766
4	Unearned premiums on outstanding business at the end of the current tax year:		
a	Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and all unearned premiums of section 833 organizations . . .	4a	
b	Enter 90% of unearned premiums attributable to insuring certain securities .	4b	
c	Discounted unearned premiums attributable to title insurance	4c	
d	Enter 80% of all other unearned premiums.	4d	1,173,411
e	Total. Add lines 4a through 4d	4e	1,173,411
5	Subtract line 4e from line 3	5	2,665,355
6	Transitional adjustments under section 832(b)(7)(D). (See page 16 of instructions.)	6	
7	Premiums earned. Add lines 5 and 6. Enter here and on Schedule A, line 1.	7	2,665,355

Schedule F Losses Incurred—Section 832 (See page 16 of instructions.)

1	Losses paid during the tax year (attach schedule).	1	1,329,729
2	Balance outstanding at the end of the current tax year for:		
a	Unpaid losses on life insurance contracts	2a	
b	Discounted unpaid losses	2b	1,546,494
c	Total. Add lines 2a and 2b	2c	1,546,494
3	Add lines 1 and 2c	3	2,876,223
4	Balance outstanding at the end of the preceding tax year for:		
a	Unpaid losses on life insurance contracts	4a	
b	Discounted unpaid losses	4b	1,583,059
c	Total. Add lines 4a and 4b	4c	1,583,059
5	Subtract line 4c from line 3	5	1,293,164
6	Estimated salvage and reinsurance recoverable at the end of the preceding tax year	6	
7	Estimated salvage and reinsurance recoverable at the end of the current tax year	7	
8	Losses incurred (line 5 plus line 6 less line 7)	8	1,293,164
9	Tax-exempt interest subject to section 832(b)(5)(B)	9	
10	Dividends-received deduction subject to section 832(b)(5)(B) (Schedule C, line 24)	10	
11	The increase in policy cash value of section 264(f) policies as defined in section 805(a)(4)(F)	11	
12	Total. Add lines 9, 10 and 11.	12	
13	Reduction of deduction under section 832(b)(5)(B). Multiply line 12 by .15	13	
14	Losses incurred deductible under section 832(c)(4). Subtract line 13 from line 8. Enter here and on Schedule A, line 26.	14	1,293,164

Schedule G Other Capital Losses (See page 16 of instructions.)
(Capital assets sold or exchanged to meet abnormal insurance losses and to pay dividends and similar distributions to policyholders.)

1	Dividends and similar distributions paid to policyholders	1				
2	Losses paid	2				
3	Expenses paid	3				
4	Total. Add lines 1, 2, and 3	4				
Note: Adjust lines 5 through 8 to cash method if necessary.						
5	Interest received	5				
6	Dividends received (Schedule C, line 14)	6				
7	Gross rents, gross royalties, lease income, etc., and gross income from a trade or business other than an insurance business including income from Form 4797 (include gains for invested assets only)	7				
8	Net premiums received	8				
9	Total. Add lines 5 through 8	9				
10	Limitation on gross receipts from sales of capital assets. Line 4 less line 9. If zero or less, enter -0-	10				
(a) Description of capital asset	(b) Date acquired	(c) Gross sales price	(d) Cost or other basis	(e) Expense of sale	(f) Depreciation allowed (or allowable)	(g) Loss ((d) plus (e) less the sum of (c) and (f))
11						
12	Totals—column (c) must not be more than line 10. (Enter amount from column (g); in Schedule A, line 28, or Schedule B, line 15, whichever applies)					

Schedule H Special Deduction And Ending Adjusted Surplus for Section 833 Organizations
(See page 17 of instructions.)

1	Health care claims incurred during the tax year and liabilities incurred during the taxable year under cost-plus contracts	1	
2	Expenses incurred during the tax year in connection with the administration, adjustment, or settlement of health care claims or in connection with the administration of cost-plus contracts	2	
3	Total. Add lines 1 and 2	3	
4	Multiply line 3 by .25	4	
5	Beginning adjusted surplus	5	
6	Special deduction. Subtract line 5 from line 4. If zero or less, enter -0-. Enter here and on Schedule A, line 34a. (See page 17 of instructions for limitation.)	6	
7	Net operating loss deduction (Schedule A, line 36b)	7	
8	Net exempt income:	8a	
a	Adjusted tax-exempt income	8b	
b	Adjusted dividends-received deduction	9	
9	Taxable income (Schedule A, line 37)	10	
10	Ending adjusted surplus. Add lines 5 through 9		

Schedule I Other Information (See page 17 of instructions.)

	Yes	No	Yes	No
1 Check method of accounting:			a Enter percentage owned ► _____	
a <input type="checkbox"/> Cash			b Enter owner's country ► _____	
b <input checked="" type="checkbox"/> Accrual			c The corporation may have to file Form 5472, Information Return of a 25% Foreign-owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ► _____	
c <input type="checkbox"/> Other (specify) ► _____				
2 Check box for kind of company:				
a <input type="checkbox"/> Mutual				
b <input checked="" type="checkbox"/> Stock				
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)				
If "Yes," attach a schedule showing:				
(a) name and identification number;				
(b) percentage owned; and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.				
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?				
If "Yes," enter employer identification number and name of the parent corporation ► _____				
5 At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)				
If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.)				
Enter percentage owned ► _____				
6 At anytime during the tax year, did one foreign person own, directly or indirectly, at least 25% of:				
(a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation? If "Yes,"				
a Enter percentage owned ► _____				
b Enter owner's country ► _____				
c The corporation may have to file Form 5472, Information Return of a 25% Foreign-owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ► _____				
7 Has the corporation elected to use its own payout pattern for discounting unpaid losses and unpaid loss adjustment expenses?				
8a Enter the total unpaid losses shown on the corporation's annual statement:				
(1) for the current tax year: \$ 1,546,494				
(2) for the previous tax year: \$ 1,583,059				
8b Enter the total unpaid loss adjustment expenses shown on the corporation's annual statement:				
(1) for the current tax year: \$ _____				
(2) for the previous tax year: \$ _____				
9 Does the corporation discount any of the loss reserves shown on its annual statement?				
10 Enter the amount of tax-exempt interest received or accrued during the tax year ► \$ _____				
11 If the corporation has an NOL for the tax year and is electing to forgo the carryback period, check here ► <input type="checkbox"/>				
12 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 36b, Schedule A.) ► \$ _____				

Note: If the corporation had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Schedule L Balance Sheets per Books (All filers are required to complete this schedule.)

Assets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
1 Cash		206,617	789,558	136,750
2a Trade notes and accounts receivable	()		()	789,558
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities (see page 18 of instructions)		1,375,422		331,131
6 Other current assets (attach schedule)				
7 Loans to shareholders				
8 Mortgage and real estate loans		7,861,444		7,337,689
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	230,985	60,963	247,269	42,038
b Less accumulated depreciation	(170,022)		(205,231)	
11a Depletable assets.	()		()	
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	()		()	
b Less accumulated amortization				
14 Other assets (attach schedule)		408,509		9,344,282
15 Total assets		9,912,955		
Liabilities and Shareholders' Equity				
16 Accounts payable		3,140,480		133,403
17 Mortgages, notes, bonds payable in less than 1 year		3,172,623		2,818,997
18 Insurance liabilities (See page 18 of instructions) .		98,021		285,531
19 Other current liabilities (attach schedule)				
20 Loans from shareholders				
21 Mortgages, notes, bonds payable in 1 year or more				
22 Other liabilities (attach schedule)				
23 Capital stock: a Preferred stock		3,398,681		6,115,104
b Common stock				
24 Additional paid-in capital		103,150		(8,753)
25 Retained earnings—Appropriated (attach schedule)		()		
26 Retained earnings—Unappropriated				
27 Adjustments to shareholders' equity (attach schedule)				
28 Less cost of treasury stock				
29 Total liabilities and shareholders' equity		9,912,955		9,344,282

Schedule M-1 Reconciliation of Income (Loss) per Books with Income per Return (See page 18 of instructions.)

(The corporation is not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d), of Schedule L are less than \$25,000)

1 Net income (loss) per books	(111,903)	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax		a Tax-exempt interest \$ _____	
3 Excess of capital losses over capital gains .			
4 Income subject to tax not recorded on books this year (itemize) _____			
5 Expenses recorded on books this year not deducted in this return (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
a Depreciation \$ _____		a Depreciation \$ 12,347	
b Contributions carryover \$ 750		b Contributions carryover \$ _____	
c Travel and entertainment \$ 2,231		See Stmt 409,738 422,085	422,085
<u>Losses Incurred</u> 36,565	40,546		422,085
6 Add lines 1 through 5	(71,357)	9 Add lines 7 and 8	
		10 Income (Schedule A, line 35)—subtract line 9 from line 6	(493,44)

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (line 26, Schedule L)

1 Balance at beginning of year	103,150	5 Distributions: a Cash	
2 Net income (loss) per books	(111,903)	b Stock	
3 Other increases (itemize) _____		c Property	
		6 Other decreases (itemize) _____	
		7 Add lines 5 and 6	
		8 Balance at end of year (subtract line 7 from line 4) (8,753)	

Form 4562

Depreciation and Amortization

(Including Information on Listed Property)

OMB No. 1545-0172

2000

Attachment
Sequence No. 67Department of the Treasury
Internal Revenue Service (99)

► See separate instructions.

► Attach this form to your return.

Name(s) shown on return

Business or activity to which this form relates

Identifying number
66-0516613

QBE Insurance (International) Insurance

Part I Election To Expense Certain Tangible Property (Section 179)

Note: If you have any "listed property," complete Part V before you complete Part I.

1 Maximum dollar limitation. If an enterprise zone business, see the instructions	1	\$20,000
2 Total cost of section 179 property placed in service. See the instructions.....	2	
3 Threshold cost of section 179 property before reduction in limitation	3	\$200,000
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-.....	4	
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see the instructions.....	5	
6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost
7 Listed property. Enter amount from line 27.....	7	
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9 Tentative deduction. Enter the smaller of line 5 or line 8.....	9	
10 Carryover of disallowed deduction from 1999. See the instructions	10	
11 Business income limitation. Enter smaller of business income (not less than zero) or line 5 (see instructions)....	11	
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11.....	12	
13 Carryover of disallowed deduction to 2001. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property (automobiles, certain other vehicles, cellular telephones, certain computers, or property used for entertainment, recreation, or amusement). Instead, use Part V for listed property.

Part II MACRS Depreciation for Assets Placed in Service Only During Your 2000 Tax Year

(Do not include listed property.)

Section A -- General Asset Account Election

14 If you are making the election under section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check this box. See the instructions



(a) Classification of property	(b) Month and year placed in service	(c) Basis for depr. (business/investment use only -- see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
15 a 3-year property						
b 5-year property		See Stmt				1,829.
c 7-year property		7,142.	7	HY	200 DB	1,021.
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			27.5 yrs.	MM	S/L	
			39 yrs.	MM	S/L	
				MM	S/L	

Section B -- General Depreciation System (GDS) (See the instructions.)

16 a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part III Other Depreciation (Do not include listed property.) (See the instructions.)

17 GDS and ADS deductions for assets placed in service in tax years beginning before 2000	17	10,907.
18 Property subject to section 168(f)(1) election	18	
19 ACRS and other depreciation.....	19	30,249.

Part IV Summary (See the instructions.)

20 Listed property. Enter amount from line 26.....	20	3,550.
21 Total. Add deductions from line 12, lines 15 and 16 in column (g), and lines 17 through 20. Enter here and on the appropriate lines of your return. Partnerships and S corporations -- see instructions	21	47,556.
22 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	22	

Part V **Listed Property** (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 23a, 23b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A -- Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

23a Do you have evidence to support business/investment use claimed? **Yes** **No** **23b** If "Yes," is the evidence written? **Yes** **No**

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Busn./ Investment use percentage	(d) Cost or other basis	(e) Basis for depr. (busn./investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
--	-------------------------------------	---	-------------------------------	--	---------------------------	------------------------------	----------------------------------	---------------------------------------

24 Property used more than 50% in a qualified business use (See the instructions.):

96 Subaru	09/12/1996	100.00	21,949.	21,949.	5	200DBHY	1,775.	
Mitsubishi	07/01/1997	100.00	27,995.	27,995.	5	200DBHY	1,775.	

25 Property used 50% or less in a qualified business use (See the instructions.):

	%			S/L-			
	%			S/L-			
	%			S/L-			

26 Add amounts in column (h). Enter the total here and on line 20, page 1. **26** **3,550.**

27 Add amounts in column (i). Enter the total here and on line 7, page 1. **27**

Section B -- Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

28	Total business/investment miles driven during the year (do not include commuting miles — see the instructions) . . .	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
		Yes	No										
29													
30													
31													
32	Was the vehicle available for personal use during off-duty hours? . . .												
33	Was the vehicle used primarily by a more than 5% owner or related person? . . .												
34	Is another vehicle available for personal use? . . .												

Section C -- Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons. See the instructions.

35	Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? . . .	Yes	No
36	Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners. . . .		
37	Do you treat all use of vehicles by employees as personal use? . . .		
38	Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? . . .		
39	Do you meet the requirements concerning qualified automobile demonstration use? See the instructions . . .		

Note: If your answer to 35, 36, 37, 38, or 39 is "Yes," do not complete Section B for the covered vehicles.

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
40 Amortization of costs that begins during your 2000 tax year (See the instructions.):					

41 Amortization of costs that began before 2000 **41**

42 Total. Add amounts in column (f). See the instructions for where to report. **42**

CAA 0 4562 Case 1:04-cv-00011 Document 1 Filed 03/04/2004 Page 20 of 138 Form 4562 (2000)

(2000) Depreciation Statement (Attach to your return)

Page 1

QBE Insurance (International) Limited

SSN: 66-0516613

Property	Form	Date In Svc	Method	Life (yr)	Rate	Mth Sold	Bus. Use
1. Digital Camera	4562(1)	08/21/1998	200 DB HY	5	19.20		100.0
2. Celeron	4562(1)	12/11/1998	200 DB HY	5	19.20		100.0
3. Celeron/32MB	4562(1)	12/18/1998	200 DB HY	5	19.20		100.0
4. Sony Stereo Set	4562(1)	02/25/1995	200 DB HY	5	5.76		100.0
5. IBM Typewriter	4562(1)	07/06/1995	200 DB HY	5	5.76		100.0
6. Accpac Software	4562(1)	03/17/1995	200 DB HY	5	5.76		100.0
7. HP Laserjet	4562(1)	05/10/1995	200 DB HY	5	5.76		100.0
8. RG-58 Beldon Cable	4562(1)	05/10/1995	200 DB HY	5	5.76		100.0
9. HP Duplexing Assembl	4562(1)	06/09/1995	200 DB HY	5	5.76		100.0
0. Inst. Network Server	4562(1)	06/29/1995	200 DB HY	5	5.76		100.0
1. HP Laserjet	4562(1)	06/29/1995	200 DB HY	5	5.76		100.0
2. Software - Novell	4562(1)	07/06/1995	200 DB HY	5	5.76		100.0
3. Direct Access Meniug	4562(1)	07/06/1995	200 DB HY	5	5.76		100.0
4. Clarion Dev System	4562(1)	07/06/1995	200 DB HY	5	5.76		100.0
5. 2 Genicom, 1HPII	4562(1)	07/06/1995	200 DB HY	5	5.76		100.0
6. AccPac Windows	4562(1)	07/18/1995	200 DB HY	5	5.76		100.0
7. Recorder	4562(1)	08/21/1996	200 DB HY	5	11.52		100.0
8. Aria Intel Pentium	4562(1)	08/21/1997	200 DB HY	5	11.52		100.0
9. 100 MB Zip Drive	4562(1)	09/04/1997	200 DB HY	5	11.52		100.0
0. Laserjet 4SI Kit	4562(1)	10/17/1997	200 DB HY	5	11.52		100.0

	Sec 179 Cost	Land / Expense	Prior Sec 179	Deprec. Basis	Prior Deprec.	2000 Deprec.	AMT Ta Pref A
1.	1,887			1,887.	925	362.	
2.	1,003			1,003.	431	193.	
3.	520			520.	224	100.	
4.	480			480.	452	28.	
5.	150			150.	141	9.	
6.	1,272			1,272.	1,199	73.	
7.	3,757			3,757.	3,541	216.	-2
8.	335			335.	316	19.	
9.	720			720.	679	41.	
0.	1,705			1,705.	1,606	98.	-1
1.	1,695			1,695.	1,597	98.	-1
2.	2,150			2,150.	2,026	124.	-1
3.	695			695.	655	40.	
4.	330			330.	311	19.	
5.	2,825			2,825.	2,662	163.	-1
6.	195			195.	183	11.	
7.	110			110.	91	13.	
8.	1,775			1,775.	1,264	204.	
9.	225			225.	160	26.	
0.	309			309.	220	36.	

(2000) Depreciation Statement (Attach to your return)
Page 2

QBE Insurance (International) Limited

SSN: 66-0516613

Property	Form	Date In Svc	Method	Life (yr)	Rate	Mth Sold	Bus Use
1. Dishwasher, Water He	4562(1)	07/18/1995	200 DB HY	7	8.92		100.0
2. Telephone Lines	4562(1)	05/17/1995	200 DB HY	7	8.92		100.0
3. Office Desks/Tables	4562(1)	06/16/1995	200 DB HY	7	8.92		100.0
4. Office Desks/Tables	4562(1)	06/26/1995	200 DB HY	7	8.92		100.0
5. Vertical Blinds	4562(1)	07/11/1995	200 DB HY	7	8.92		100.0
6. Signage	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
7. Signage	4562(1)	07/18/1995	200 DB HY	7	8.92		100.0
8. Signage	4562(1)	06/08/1995	200 DB HY	7	8.92		100.0
9. QBE Banner	4562(1)	06/08/1995	200 DB HY	7	8.92		100.0
10. Securit System	4562(1)	07/18/1995	200 DB HY	7	8.92		100.0
11. Exterior Door	4562(1)	08/10/1995	200 DB HY	7	8.92		100.0
12. Telephone Equipments	4562(1)	08/14/1995	200 DB HY	7	8.92		100.0
13. Sign & Electric	4562(1)	08/21/1995	200 DB HY	7	8.92		100.0
14. Air cleaner	4562(1)	08/14/1995	200 DB HY	7	8.92		100.0
15. Fabrication-Sign	4562(1)	09/05/1995	200 DB HY	7	8.92		100.0
16. Fabrication	4562(1)	09/08/1995	200 DB HY	7	8.92		100.0
17. QBE Sign	4562(1)	09/13/1995	200 DB HY	7	8.92		100.0
18. Office Plants	4562(1)	10/11/1995	200 DB HY	7	8.92		100.0
19. Office Plants	4562(1)	10/17/1995	200 DB HY	7	8.92		100.0
20. Air Purifer	4562(1)	12/04/1995	200 DB HY	7	8.92		100.0

	Sec 179 Cost	Land / Expense	Prior Sec 179	Deprec. Basis	Prior Deprec.	2000 Deprec.	AMT Ta Pref A
1.	5,200			5,200.	4,040	464.	
2.	640			640.	497	57.	
3.	9,470			9,470.	7,358	845.	
4.	4,887			4,887.	3,796	436.	
5.	1,758			1,758.	1,366	157.	
6.	615			615.	478	55.	
7.	3,310			3,310.	2,572	295.	
8.	3,950			3,950.	3,069	352.	
9.	160			160.	124	14.	
10.	2,222			2,222.	1,726	198.	
11.	450			450.	349	40.	
12.	1,644			1,644.	1,277	147.	
13.	762			762.	592	68.	
14.	393			393.	305	35.	
15.	225			225.	175	20.	
16.	1,732			1,732.	1,346	154.	
17.	500			500.	389	45.	
18.	201			201.	156	18.	
19.	130			130.	101	12.	
20.	1,104			1,104.	858	98.	

(2000) Depreciation Statement (Attach to your return)

Page 3

QBE Insurance (International) Limited

SSN: 66-0516613

Property	Form	Date In Svc	Method	Life (yr)	Rate	Mth Sold	Bus. Use
11. Sofa & loveseat	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
12. Dining set w/6chairs	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
13. Coffee table	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
14. Vacuum Cleaner	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
15.							
16.							
17.							
18.							
19.							
20.							
21.							
22.							
23.							
24.							
25.							
26.							
27.							
28.							
29.							
30.							

	Sec 179 Cost	Land / Expense	Prior Sec 179	Deprec. Basis	Prior Deprec.	2000 Deprec.	AMT Pref A
11.	500			500.	389	45.	
12.	600			600.	467	54.	
13.	350			350.	272	31.	
14.	100			100.	78	9.	
15.							
16.							
17.							
18.							
19.							
20.							
21.							
22.							
23.							
24.							
25.							
26.							
27.							
28.							
29.							
30.							

63,041

63,041. 50,463 5,522.

2000) Depreciation Statement (Attach to your return)

Page 1

QBE Insurance (International) Limited

SSN: 66-0516613

Property	Form	Date In Svc	Method	Life (yr)	Rate	Mth Sold	Bus. Use
1. Entertainment Center	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
2. Sharp TV	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
3. Sony VCR	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
4. Sony Microwave Oven	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
5. 1 Queen Size Bed	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
6. 2 Twin Size Beds	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
7. 2 White Lamps	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
8. 1 mirror w/ gold tri	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
9. 1 chest of white dra	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
0. 1 Chest of 5 drawers	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
1. Bedside tables	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
2. 2 White Bedside Tabl	4562(1)	02/25/1995	200 DB HY	7	8.92		100.0
3. 1 White Bed & matres	4562(1)	08/02/1995	200 DB HY	7	8.92		100.0
4. Mattresses (2)	4562(1)	08/02/1995	200 DB HY	7	8.92		100.0
5. 1 Computer Desk	4562(1)	08/24/1995	200 DB HY	7	8.92		100.0
6. 3 Pc Rosewood Ent Ct	4562(1)	08/24/1995	200 DB HY	7	8.92		100.0
7. 3Pc Rosewood Coffee	4562(1)	08/24/1995	200 DB HY	7	8.92		100.0
8. Television & VCR	4562(1)	09/25/1995	200 DB HY	7	8.92		100.0
9. Comfort Black	4562(1)	09/25/1995	200 DB HY	7	8.92		100.0
0. Childrens B/Rm Furn	4562(1)	09/25/1995	200 DB HY	7	8.92		100.0

	Sec 179 Cost	Land / Expense Salvage	Prior Sec 179	Deprec. Basis	Prior Deprec.	2000 Deprec.	AMT Ta Pref A
1.	300			300.	233	27.	
2.	300			300.	233	27.	
3.	180			180.	140	16.	
4.	100			100.	78	9.	
5.	150			150.	59	13.	
6.	100			100.	78	9.	
7.	100			100.	78	9.	
8.	100			100.	78	9.	
9.	50			50.	38	4.	
0.	100			100.	78	9.	
1.	300			300.	233	27.	
2.	75			75.	59	7.	
3.	299			299.	233	27.	
4.	478			478.	372	43.	
5.	849			849.	660	76.	
6.	1,490			1,490.	1,158	133.	
7.	895			895.	695	80.	
8.	400			400.	311	36.	
9.	788			788.	612	70.	
0.	1,160			1,160.	902	103.	

(2000) Depreciation Statement (Attach to your return)

Page 2

QBE Insurance (International) Limited

SSN: 66-0516613

Property	Form	Date In Svc	Method	Life (yr)	Rate	Mth Sold	Bus. Use
1. 8 Office Desk	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
2. 7 Wagon	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
3. 4 HB W/Arm	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
4. 17MB w/ Arm	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
5. 1 BIF UC300 Blk Char	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
6. 1 Office Desk	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
7. 1 White Board	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
8. 5 3DR Lateral File	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
9. 4 2DR Lateral File	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
10. 1 Leo Int 11 CSW REF	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
11. 1 Refrigerator	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
12. 1 Microwave Oven	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
13. 1 Conference Table	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
14. 1 Office Desk WEL	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
15. 1 Computer Desk KOK	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
16. 2 Fire Proof 4 Dr	4562(1)	07/03/1995	200 DB HY	7	8.92		100.0
17. 1 Comp Chr 2 Hanging	4562(1)	07/06/1995	200 DB HY	7	8.92		100.0
18. 2 Lateral File Cabin	4562(1)	07/06/1995	200 DB HY	7	8.92		100.0
19. Paper Shredder	4562(1)	08/02/1995	200 DB HY	7	8.92		100.0
10. 1 Fire King Safe	4562(1)	08/10/1995	200 DB HY	7	8.92		100.0

	Sec 179 Cost	Land / Salvage	Prior Sec 179	Deprec. Basis	Prior Deprec.	2000 Deprec.	AMT Ta Pref A
1.	3,160			3,160.	2,455	282.	
2.	1,050			1,050.	816	94.	
3.	1,000			1,000.	777	89.	
4.	3,145			3,145.	2,444	281.	
5.	285			285.	221	25.	
6.	195			195.	151	17.	
7.	235			235.	183	21.	
8.	3,245			3,245.	2,521	289.	
9.	2,196			2,196.	1,706	196.	
10.	499			499.	388	45.	
11.	299			299.	233	27.	
12.	177			177.	138	16.	
13.	500			500.	389	45.	
14.	195			195.	151	17.	
15.	438			438.	340	39.	
16.	800			800.	621	71.	
17.	200			200.	156	18.	
18.	1,077			1,077.	837	96.	
19.	203			203.	158	18.	
10.	774			774.	601	69.	

QBE Insurance (International) Limited

SSN: 66-0516613

Property	Form	Date In Svc	Method	Life (yr)	Rate	Mth Sold	Bus. Use
11. 5 Office Desks	4562(1)	08/23/1995	200 DB HY	7	8.92		100.0
12. 1 White Board	4562(1)	08/23/1995	200 DB HY	7	8.92		100.0
13. 6 Wagon	4562(1)	08/23/1995	200 DB HY	7	8.92		100.0
14. 4 Lateral file cabin	4562(1)	08/23/1995	200 DB HY	7	8.92		100.0
15. 4 Lateral file cabin	4562(1)	08/23/1995	200 DB HY	7	8.92		100.0
16. 3 Picture Frames	4562(1)	10/13/1995	200 DB HY	7	8.92		100.0
17. 3 Lateral Filing Cab	4562(1)	10/13/1995	200 DB HY	7	8.92		100.0
18. Telephone Line	4562(1)	02/21/1996	200 DB HY	7	8.93		100.0
19. Window Shutters	4562(1)	04/17/1996	200 DB HY	7	8.93		100.0
20. Lock	4562(1)	02/21/1996	200 DB HY	7	8.93		100.0
21. Para Oceano Bus Impr	4562(1)	06/05/1995	SL MM MM	39.0	2.56		100.0
22. Para Oceano-Partition	4562(1)	06/13/1995	SL MM MM	39.0	2.56		100.0
23. Para Oceana Painting	4562(1)	06/15/1995	SL MM MM	39.0	2.56		100.0
24. Para Oceana Fabricat	4562(1)	06/26/1995	SL MM MM	39.0	2.56		100.0
25. Para Oceana-Kitchen	4562(1)	07/11/1995	SL MM MM	39.0	2.56		100.0
26. Para Oceana Strg Rm	4562(1)	07/28/1995	SL MM MM	39.0	2.56		100.0
27. Para Oceana Doors	4562(1)	07/28/1995	SL HY HY	5	10.00		100.0
28. Construction Storage	4562(1)	08/14/1995	SL MM MM	39.0	2.56		100.0
29. Para Oceana-LHI	4562(1)	09/19/1995	SL MM MM	39.0	2.56		100.0
30. Kitchen Door Exit	4562(1)	12/27/1995	SL MM MM	39.0	2.56		100.0

	Cost	Sec 179 Expense	Land / Salvage	Prior Sec 179	Deprec. Basis	Prior Deprec.	2000 Deprec.	AMT Ta Pref A
11.	1,725				1,725.	1,340	154.	
12.	235				235.	183	21.	
13.	900				900.	699	80.	
14.	2,596				2,596.	2,017	232.	
15.	2,596				2,596.	2,017	232.	
16.	837				837.	651	75.	
17.	1,947				1,947.	1,513	174.	
18.	375				375.	258	33.	
19.	850				850.	584	76.	
20.	200				200.	138	18.	
21.	4,160				4,160.	485	107.	
22.	6,240				6,240.	727	160.	
23.	4,000				4,000.	465	102.	
24.	7,645				7,645.	890	196.	
25.	7,522				7,522.	860	193.	
26.	2,848				2,848.	326	73.	
27.	496				496.	57	50.	
28.	750				750.	84	19.	
29.	16,189				16,189.	1,780	414.	
30.	869				869.	90	22.	

(2000) Depreciation Statement (Attach to your return)

Page 4

QBE Insurance (International) Limited

SSN: 66-0516613

Property	Form	Date In Svc	Method	Life (yr)	Rate	Mth Sold	Bus. Use
'1. Shelving Storage	4562(1)	09/15/1997	SL MM MM	39.0	2.56		100.0
'2. Shelving Storage	4562(1)	09/26/1997	SL MM MM	39.0	2.56		100.0
'3. 12 Windows 95	4562(1)	04/03/1998	SL	5	20.00		100.0
'4. 96 Subaru Legacy	4562(1)	09/12/1996	200 DB HY	5	11.52		100.0
'5. Mitsubishi Montero	4562(1)	07/01/1997	200 DB HY	5	11.52		100.0
'6. 14 Matchair 45x53	4562(1)	01/12/1999	200 DB HY	7	24.49		100.0
'7. 21 Shelving & Labor	4562(1)	04/01/1999	200 DB HY	7	24.49		100.0
'8. PII-350X 64mb NIC	4562(1)	06/02/1999	200 DB HY	5	32.00		100.0
'9. 7 CPU PII-350 KAL	4562(1)	06/29/1999	200 DB HY	5	32.00		100.0
'0. 7 Fan SECC2 PII Fan	4562(1)	06/29/1999	200 DB HY	5	32.00		100.0
'1. 7 MEM 64MB S-DRAM	4562(1)	06/29/1999	200 DB HY	5	32.00		100.0
'2. 7 HD 6.4GB Fujitsu	4562(1)	06/29/1999	200 DB HY	5	32.00		100.0
'3. 7MB Amptron PII-37484562(1)	4562(1)	06/29/1999	200 DB HY	5	32.00		100.0
'4. 7 KB Lite-on SK-11004562(1)	4562(1)	06/29/1999	200 DB HY	5	32.00		100.0
'5. 7 MSE A4Tech SWW-5	4562(1)	06/29/1999	200 DB HY	5	32.00		100.0
'6. 4 CD 24X IDE (OEM)	4562(1)	06/29/1999	200 DB HY	5	32.00		100.0
'7. 8 Mntr 15" Decaview	4562(1)	06/29/1999	200 DB HY	5	32.00		100.0
'8. 7 MS Windows 98 Comp	4562(1)	06/29/1999	SL	3	33.33		100.0
'9. 7 Case B2-D Mini Tow	4562(1)	06/29/1999	200 DB HY	5	32.00		100.0
'0.							

	Sec 179 Cost	Land / Expense Salvage	Prior Sec 179	Deprec. Basis	Prior Deprec.	2000 Deprec.	AMT Ta Pref A
'1.	600			600.	35	15.	
'2.	400			400.	23	10.	
'3.	1,167			1,167.	681	233.	
'4.	21,949			21,949.	12,685	1,775.	
'5.	27,995			27,995.	11,210	1,775.	
'6.	546		546				
'7.	5,620		5,620				
'8.	3,046		3,046				
'9.	1,537		1,537				
'0.	102		102				
'1.	539		539				
'2.	1,127		1,127				
'3.	1,025		1,025				
'4.	160		160				
'5.	96		96				
'6.	214		214				
'7.	1,409		1,409				
'8.	986			986.	164	329.	
'9.	294			294.	246	48.	
'0.							
	159,679		15,421	144,258.	61,822	9,105.	1

(2000) Depreciation Statement (Attach to your return)

Page 1

QBE Insurance (International) Limited

SSN: 66-0516613

Property	Form	Date In Svc	Method	Life (yr)	Rate	Mth Sold	Bus. Use
1. 161-Network Server	IB4562(1)	11/09/1999	200 DB HY	5	32.00		100.0
2. 162 Repari/removal	4562(1)	06/17/1999	SL MM MM	39.0	2.56		100.0
3. 163 Repair/removal	s4562(1)	06/22/1999	SL MM MM	39.0	2.56		100.0
4. 164 Blackout Buster	4562(1)	06/02/1999	200 DB HY	5	32.00		100.0
5. 13 Power Blacout Bus	4562(1)	06/07/1999	200 DB HY	5	32.00		100.0
6. Manager's furniture	4562(1)	10/01/2000	200 DB HY	7	14.29		100.0
7. Digital Camera	4562(1)	10/01/2000	200 DB HY	5	20.00		100.0
8. Computer Up-grade	4562(1)	11/01/2000	200 DB HY	5	20.00		100.0
9. Printers	4562(1)	07/01/2000	200 DB HY	5	20.00		100.0
0. Prior year f/a	4562(1)	09/05/1995	200 DB HY	5	5.76		100.0
.1.							
.2.							
.3.							
.4.							
.5.							
.6.							
.7.							
.8.							
.9.							
.0.							

Cost	Sec 179 Expense	Land / Salvage	Prior Sec 179	Deprec.	Prior Basis	Prior Deprec.	2000 Deprec.	AMT Ta Pref A
1. 1,163				1,163.		233	372.	
2. 435				435.		6	11.	
3. 350				350.		5	9.	
4. 406			406					
5. 1,716			1,716					
6. 7,142				7,142.			1,021.	2
7. 489				489.			98.	
8. 544				544.			109.	
9. 8,109				8,109.			1,622.	4
0. 4,195				4,195.		4,195		-5
.1.								
.2.								
.3.								
.4.								
.5.								
.6.								
.7.								
.8.								
.9.								
.0.								

24,549

2,122 22,427. 4,439 3,242.

Department of the Treasury
Internal Revenue Service► See separate instructions.
► Attach to the corporation's tax return.

Name

QBE Insurance (International) Limited

Employer identification number
66-0516613

1	Taxable income or (loss) before net operating loss deduction	1	-493,442.
2	Adjustments and preferences:		
a	Depreciation of post-1986 property	2a	-467.
b	Amortization of certified pollution control facilities	2b	
c	Amortization of mining exploration and development costs	2c	
d	Amortization of circulation expenditures (personal holding companies only)	2d	
e	Adjusted gain or loss	2e	
f	Long-term contracts	2f	
g	Installment sales	2g	
h	Merchant marine capital construction funds	2h	
i	Section 833(b) deduction (Blue Cross, Blue Shield, and similar type organizations only)	2i	
j	Tax shelter farm activities (personal service corporations only)	2j	
k	Passive activities (closely held corporations and personal service corporations only)	2k	
l	Loss limitations	2l	
m	Depletion	2m	
n	Tax-exempt interest from specified private activity bonds	2n	
o	Intangible drilling costs	2o	
p	Accelerated depreciation of real property (pre-1987)	2p	
q	Accelerated depreciation of leased personal property (pre-1987) (personal holding companies only)	2q	
r	Other adjustments	2r	
s	Combine lines 2a through 2r	2s	-467.
3	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 and 2s.	3	-493,909.
4	Adjusted current earnings (ACE) adjustment:		
a	Enter the corporation's ACE from line 10 of the worksheet in the instructions	4a	-445,886.
b	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see examples in the instructions)	4b	48,023.
c	Multiply line 4b by 75% (.75). Enter the result as a positive amount	4c	36,017.
d	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments (see the instructions). Note: You must enter an amount on line 4d (even if line 4b is positive)	4d	
e	ACE adjustment:		
	• If you entered a positive number or zero on line 4b, enter the amount from line 4c here as a positive amount.	4e	36,017.
	• If you entered a negative number on line 4b, enter the smaller of line 4c or line 4d here as a negative amount.		
5	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe alternative minimum tax	5	-457,892.
6	Alternative tax net operating loss deduction (see the instructions)	6	9.
7	Alternative minimum taxable income. Subtract line 6 from line 5. If the corporation held a residual interest in a REMIC, see the instructions	7	0.

For Paperwork Reduction Act Notice, see instructions.

Form 4626 (2000)

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8	Enter the amount from line 7 (alternative minimum taxable income)	8	0
9	Exemption phase-out computation (if line 8 is \$310,000 or more, skip lines 9a and 9b and enter -0- on line 9c):		
a	Subtract \$150,000 from line 8 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-	9a	0.
b	Multiply line 9a by 25% (.25)	9b	0.
c	Exemption. Subtract line 9b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-	9c	0.
10	Subtract line 9c from line 8. If zero or less, enter -0-	10	0.
11	Multiply line 10 by 20% (.20)	11	0.
12	Alternative minimum tax foreign tax credit. See instructions	12	0.
13	Tentative minimum tax. Subtract line 12 from line 11	13	0.
14	Regular tax liability before all credits except the foreign tax credit and possessions tax credit.	14	0.
15	Alternative minimum tax. Subtract line 14 from line 13. If zero is less, enter -0-. Enter here and on Form 1120, Schedule J, line 4, or the appropriate line of the corporation's income tax return	15	0.

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Form 4626 (2000)

Sales of Business Property

(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))

Name(s) shown on return

QBE Insurance (International) Limited

Identifying number

66-0516613

1 Enter the gross proceeds from sales or exchanges reported to you for 2000 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)

1

Part II Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft — Most Property Held More Than 1 Year (See instructions.)

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
2 See Stmt						524
3 Gain, if any, from Form 4684, line 39						3
4 Section 1231 gain from installment sales from Form 6252, line 26 or 37						4
5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824						5
6 Gain, if any, from line 32, from other than casualty or theft						6
7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:						7
Partnerships (except electing large partnerships). Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 6. Skip lines 8, 9, 11, and 12 below.						
S corporations. Report the gain or (loss) following the instructions for Form 1120S, Schedule K, lines 5 and 6. Skip lines 8, 9, 11, and 12 below, unless line 7 is a gain and the S corporation is subject to the capital gains tax.						
All others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on Schedule D and skip lines 8, 9, and 12 below.						
8 Nonrecaptured net section 1231 losses from prior years (see instructions)						8
9 Subtract line 8 from line 7. If zero or less, enter -0-. Also enter on the appropriate line as follows (see instructions): S corporations. Enter any gain from line 9 on Schedule D (Form 1120S), line 15, and skip lines 11 and 12 below. All others. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below, and enter the gain from line 9 as a long-term capital gain on Schedule D.						9

Part II Ordinary Gains and Losses

10 Ordinary gains and losses not included on lines 11 through 17 (include property held 1 year or less):

11 Loss, if any, from line 7	11 ()
12 Gain, if any, from line 7 or amount from line 8, if applicable	12
13 Gain, if any, from line 31	13
14 Net gain or (loss) from Form 4684, lines 31 and 38a	14
15 Ordinary gain from installment sales from Form 6252, line 25 or 36	15
16 Ordinary gain or (loss) from like-kind exchanges from Form 8824	16
17 Recapture of section 179 expense deduction for partners and S corporation shareholders from property dispositions by partnerships and S corporations (see instructions)	17
18 Combine lines 10 through 17. Enter the gain or (loss) here and on the appropriate line as follows: a For all except individual returns: Enter the gain or (loss) from line 18 on the return being filed. b For individual returns: (1) If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from "Form 4797, line 18b(1)." See instructions	18b(1)
(2) Redetermine the gain or (loss) on line 18 excluding the loss, if any, on line 18b(1). Enter here and on Form 1040, line 14	18b(2)

For Paperwork Reduction Act Notice, see the Instructions.

Preparers Edition

Form 4797 (2000)

(2000)

FORM 4797, PART I, LINE 2 STATEMENT
 (Attach this statement to your tax return)

QBE Insurance (International) Limited

SSN: 66-0516613

PART I - SALES OR EXCHANGES OF PROPERTY USED IN TRADE OR BUSINESS
 AND INVOLUNTARY CONVERSIONS HELD MORE THAN 1 YEAR

2. (a) Description	(b) Date Acq'd	(c) Date Sold	(d) Sale Price	(e) Deprec	(f) Cost or Basis	(g) Total Gain/Loss
Queen size bed	02/25/1995	11/15/2000	105	72	150	27
Dining room	02/25/1995	11/15/2000	165	521	600	86
2 bedside table	02/25/1995	11/15/2000		66	75	-9
1 cabinet 5 drw	02/25/1995	11/15/2000		87	100	-13
sofa & loveseat	02/25/1995	11/15/2000	790	434	500	724
3 pc rosewood c	08/24/1995	11/15/2000		775	895	-120
3 pc rosewood e	08/24/1995	11/15/2000		1,288	1,490	-202
Sanyo VCR	02/25/1995	11/15/1999	55	156	180	31

KCA

OTHER DEDUCTIONS WORKSHEET (1120, line 26; 1120-A, line 22)

QBE Insurance (International) Limited

66-0516613

OTHER DEDUCTIONS WORKSHEET (1120, line 26; 1120-A, line 22)

1a Total meals and entertainment.....1a	6,463.
b 50% of line 1a (deduction limit). 1b	3,232.
c Balance of line 1a (M-1, line 5c) 1c	3,231.
Deduction.....	1 3,232.
2 Total amortization (Form 4562, line 42).....	2
3 Other deductions (press F6 for general worksheet).....	3 1,758,700.
4 Total other deductions.....	4 1,761,932.

AM Software

(2000) Statements (Attach to your return)

QBE Insurance (International) Limited

66-0516613

=====

1120 Line 10b

Other income	440.
Deferred acquisition	69,476.
TOTAL	69,916.

=====

SCH L (1120) Line 6d

	Beg of Year	End of Year
Accrued investment income	66,972.	47,588.
Prepaid expenses	8,359.	14,865.
Prepaid income tax	422,819.	254,694.
Prepaid withholding tax	1,920.	
Sundry debtors	875,352.	13,984.
TOTAL	1,375,422.	331,131.

=====

SCH L (1120) Line 9d

	Beg of Year	End of Year
Investment	7,861,444.	7,337,689.
TOTAL	7,861,444.	7,337,689.

=====

SCH L (1120) Line 14b

	Beg of Year	End of Year
Deferred acquisition costs	207,504.	
Deferred commissions	201,005.	707,116.
TOTAL	408,509.	707,116.

=====

(2000) Statements (Attach to your return)

QBE Insurance (International) Limited

66-0516613

CH L (1120) Line 18d

	Beg of Year	End of Year
Accrued expenses	76,286.	85,659.
Trade creditors	21,735.	
Provision for doubtful debts		124,315.
Provision for holiday pay		21,535.
Due from other creditors		54,022.
TOTAL	98,021.	285,531.

IS OTHER DEDUCT Line 3

Administrative expenses	148,000.
Commissions	232,403.
Investment expense	679,155.
Sundries	699,142.
TOTAL	1,758,700.

QBE INSURANCE (INTERNATIONAL) LIMITED
EIN: 66-0516613
December 31, 2000

Schedule 4

Computation of Guam Net Equity Under Regs. Sec. 1.884-1
Form 1120-F, Page 5, Section III, Part I, Lines 4a and 4b

	<u>12/31/99</u>	<u>12/31/00</u>
(1) Asset Determination:		
Guam Assets	9,912,955	9,344,282
<u>Less: Interbranch Assets</u>	<u>0</u>	<u>0</u>
Guam Connected Assets	9,912,955	9,344,282
(2) Liability Determination:		
Fixed Ratio	50.000000%	50.000000%
Guam Connected Assets	9,912,955	9,344,282
Guam Connected Liabilities	4,956,478	4,672,141
<u>Reduction in Liabilities</u>	<u>0</u>	<u>0</u>
Guam Adjusted Liabilities	4,956,478	4,672,141
(3) CNMI Net Equity	<u>4,956,478</u>	<u>4,672,141</u>

QBE INSURANCE (INTERNATIONAL) LIMITED

EIN: 66-0516613

December 31, 2000

Schedule 5

Adjustments made to get Effectively Connected Earnings and Profits
Form 1120F, Page 5, Section III, Line 2

Gain on disposal of fixed assets	19,216
Depreciation	<u>12,347</u>
	<u>31,563</u>

SECTION III.—Branch Profits Tax and Tax on Excess Interest (See instructions beginning on page 18.)

Part I—Branch Profits Tax

- 1 Enter the amount from Section II, line 29
- 2 Enter total adjustments made to get effectively connected earnings and profits. (Attach a schedule showing the nature and amount of adjustments.) (See page 18 of instructions.)
- 3 Effectively connected earnings and profits. Combine line 1 and line 2. Enter the result here
- 4a Enter U.S. net equity at the end of the current tax year. (Attach schedule.) . Sch 4
- b Enter U.S. net equity at the end of the prior tax year. (Attach schedule.) . Sch 4
- c Increase in U.S. net equity. If line 4a is greater than or equal to line 4b, subtract line 4b from line 4a. Enter the result here and skip to line 4e
- d Decrease in U.S. net equity. If line 4b is greater than line 4a, subtract line 4a from line 4b. Enter the result here
- e Non-previously taxed accumulated effectively connected earnings and profits. Enter excess, if any, of effectively connected earnings and profits for preceding tax years beginning after 1986 over any dividend equivalent amounts for those tax years
- 5 Dividend equivalent amount. Subtract line 4c from line 3. Enter the result here. If zero or less, enter -0-. If no amount is entered on line 4c, add the lesser of line 4d or line 4e to line 3 and enter the total here
- 6 Branch profits tax. Multiply line 5 by 30% (or lower treaty rate if the corporation is a qualified resident or otherwise qualifies for treaty benefits). Enter here and include on line 3, page 1. (See page 19 of instructions.) Also complete Items W and X below

1	(493,442)
	31,563
2	
3	(461,879)
4a	4,672,141
4b	4,956,478
4c	
4d	284,337
4e	
5	(461,879)
6	0

Part II—Tax on Excess Interest

- 7a Enter the interest from Section II, line 18
- b Enter the interest apportioned to the effectively connected income of the foreign corporation that is capitalized or otherwise nondeductible.
- c Add lines 7a and 7b
- 8 Enter the branch interest (including capitalized and other nondeductible interest). (See page 19 of instructions for definition.) If the interest paid by the foreign corporation's U.S. trade or business was increased because 80% or more of the foreign corporation's assets are U.S. assets, check this box
- 9a Excess interest. Subtract line 8 from line 7c. If zero or less, enter -0-.
- b If the foreign corporation is a bank, enter the excess interest treated as interest on deposits. Otherwise, enter -0-. (See page 19 of instructions.)
- c Subtract line 9b from line 9a
- 10 Tax on excess interest. Multiply line 9c by 30% or lower treaty rate (if the corporation is a qualified resident or otherwise qualifies for treaty benefits). (See page 19 of instructions.) Enter here and include on line 3, page 1. Also complete Items W and X below

7a	0
7b	
7c	0
8	
9a	0
9b	
9c	0
10	0

Additional Information Required (continued from page 2)

V Is the corporation claiming a reduction in, or exemption from, the branch profits tax due to:

- (1) A complete termination of all U.S. trades or businesses?
- (2) The tax-free liquidation or reorganization of a foreign corporation?
- (3) The tax-free incorporation of a U.S. trade or business?

If (1) applies or (2) applies and the transferee is domestic, attach Form 8848. If (3) applies, attach the statement required by Regulations section 1.884-2T(d)(5).

Yes	No
	X
	X
	X

X If the corporation is claiming it is a qualified resident of its country of residence for purposes of computing its branch profits tax and excess interest tax, check the basis for that claim:

Stock ownership and base erosion test

Publicly traded test

Active trade or business test

Private letter ruling

W Is the corporation taking a position on this return that a U.S. tax treaty overrules or modifies an Internal Revenue law of the United States thereby causing a reduction of tax?

If "Yes," complete and attach Form 8833.

Yes	No
	X

Y During the tax year, did the corporation own any foreign entities that were disregarded as entities separate from their owners under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," attach a statement listing the name, country under whose laws the entity was organized, and EIN (if any) of each entity

Yes	No
	X

Z During the tax year, did the corporation own at least a 10% interest, directly or indirectly, in any foreign partnership? If "Yes," see page 20 of Instructions for required attachment.

QBE Insurance (International) Limited
EIN: 66-0516613
December 31, 2000

Schedule 7

Historical Summary of
Effectively Connected Earnings & Profits and Dividend Equivalent Amounts
Form 1120F, Page 5, Section III, Lines 3 and 5

<u>Tax Year/ Period</u>	<u>Current E&P</u>	<u>Accumulated E&P</u>	<u>Dividend Equivalent</u>	<u>Available E&P</u>
12/31/95	(180,395)			(180,395)
12/31/96	(130,641)	(180,395)		(311,036)
12/31/97	(897,802)	(311,036)		(1,208,838)
12/31/98	1,147,234	(1,208,838)	320,342	(381,946)
12/31/99	(495,420)	(381,946)		(877,366)
Total Dividend Equivalent Amounts			<u>320,342</u>	

QBE INSURANCE (INTERNATIONAL) LIMITED

EIN: 66-0516613

December 31, 2000

Schedule 9

Form 1120-PC, Page 8, Schedule M-1, Line 8b

Gain on disposal of fixed assets	18,692
Unearned Premium	351,272
Investment Income	<u>39,774</u>
	<u>409,738</u>

1st Quarter Estimated Tax 2000

\$110,000.00

QBE
NON-NEGOTIABLE
PAY
TO THE
ORDER
OF

QBE INSURANCE (INTERNATIONAL) LIMITED
 A.C.N. 000000948
 PARAOCEANA BUSINESS CENTER
 674 HARMON LOOP ROAD 671-635-2823
 DEDEDO, GUAM 96912

 BANK OF HAWAII
 TAMUNING BRANCH
 TAMUNING, GU 96911

037

101-501

DATE	AMOUNT
04/17/00	\$110,000,

*****One Hundred Thousand and 00/100*****

Treasurer Of Guam
 Pmt for 2000 Estimated Tax

#003770# 121405018# 0031#032148#

Please attach Original Copy to Form W-1, 4277, 1120 or 1040

GUAM DEPOSITORY RECEIPT **ORIGINAL**
 FOR INCOME TAX WITHHELD ON WAGES, 30% WITHHOLDING SEC. 1441 OR CORPORATE ESTIMATED TAX

NOTICE TO TAXPAYERS

FILL IN ALL ITEMS BELOW BEFORE MAKING DEPOSIT SEE INSTRUCTIONS

TOTAL TAXES	
DOLLARS	CENTS
\$110,000	00

Enter amount to be deposited

EMPLOYER'S IDENTIFICATION NUMBER	
66-0516613	

Enter your employer's identification number

WRITE IN
TAX YEAR

2 0 0

CHECK ONE
TAX PERIOD

1st Qtr.
 2nd Qtr.
 3rd Qtr.
 4th Qtr.

FOR USE BY BANK
 RECEIPTS VALIDATED AND DEPOSIT CREDITED IN
 ACCOUNT OF TREASURER OF GUAM.

APR 17 2004

CHECK ONE	<input type="checkbox"/> Income tax withholding on wages	<input checked="" type="checkbox"/> Corporate Estimated Tax
	<input type="checkbox"/> 30% Withholding Sec. 1441	
▼ TYPE OR PRINT NAME AND ADDRESS OF EMPLOYER		
QBE INSURANCE (INTERNATIONAL) LIMITED SUITE 216 PARAOCEANA BUSINESS CENTER HARMON LOOP RD. DEDEDO, GUAM 96912		

AFTER YOU RECEIVE THE VALIDATED RECEIPT FROM THE BANK, USE IT IN PAYMENT OF TAXES YOU REPORT ON FORMS 11-1472 OR 11-1473 OR DEPUTY COMMISSIONER OF REVENUE AND TAXATION

Case 1-04-00011-Doc#1 Filed 03/04/2004

Page 43 of 133

Form 500 (REV. 3/94)

Form 1120X

(Rev. April 1999)
Department of the Treasury
Internal Revenue ServiceTAXPAYER'S COPY
Amended U.S. Corporation
Income Tax Return

JAN 18 2002

OMB No. 1545-0132

5310-0313-13 TAX

For tax year ending

12-31-99

(Enter month and year)

Employer identification number
86-0516518

Please Type or Print	Name QBE INSURANCE (INTERNATIONAL) LIMITED	Telephone number (optional) ()
	Number, street, and room or suite no. (If a P.O. box, see instructions.) 674 HARMON LOOP ROAD	
	City or town, state, and ZIP code DEDEDO, GU 96912	

Enter name and address used on original return (If same as above, write "Same.")

SAMEInternal Revenue Service Center
where original return was filed ➤ **GUAM, DEPARTMENT OF REVENUE AND TAX****Fill in Applicable Items and Use Part II To Explain Any Changes**

Part I Income and Deductions (See instructions.)		(a) As originally reported or as previously adjusted	(b) Net change (increase or decrease—explain in Part II)	(c) Correct amount
1	Total income (Form 1120 or 1120-A, line 11)	3596098	0	3596098
2	Total deductions (total of lines 27 and 29c, Form 1120, or lines 23 and 25c, Form 1120-A)	2347300	493442	2840742
3	Taxable Income. Subtract line 2 from line 1	1248798	493442	755356
4	Tax (Form 1120, line 31, or Form 1120-A, line 27)	424591	167770	256821

Payments and Credits (See instructions.)

5a	Overpayment in prior year allowed as a credit	4843	4843
b	Estimated tax payments	549000	549000
c	Refund applied for on Form 4466		
d	Subtract line 5c from the sum of lines 5a and 5b	553843	553843
e	Tax deposited with Form 7004		
f	CREDIT FROM FORM 2439- CREDIT FOR PRIOR YEAR MINIMUM TAX	15442	15442
g	Credit for Federal tax on fuels		
6	Tax deposited or paid with (or after) the filing of the original return		0
7	Add lines 5d through 6, column (c)		569285
8	Overpayment, if any, as shown on original return or as later adjusted		144694
9	Subtract line 8 from line 7		424591

Tax Due or Refund

10 Tax due. Subtract line 9 from line 4, column (c). If paying by check, make it payable to the "United States Treasury" (see instructions) ➤

11 Refund. Subtract line 4, column (c), from line 9 ➤ **167770**

Please Sign Here

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer ➤ *John M. Maglari* ➤ Date **01/18/02** ➤ Title **President**

Paid Preparer's Use Only	Preparer's signature ➤ <i>John M. Maglari</i>	Date 1/18/02	Check if self-employed ➡ <input type="checkbox"/>	Preparer's social security no. 303-64-6413
	Firm's name (or yours if self-employed) and address ➤ J. SCOTT MAGLARI & COMPANY P.O. BOX 12734, TAMUNING, GU		EIN ➡ 66-0572328	ZIP code ➡ 96931

For Paperwork Reduction Act Notice, see instructions on page 4.

Cat. No. 11530Z

Form 1120X (Rev. 4-99)

EXHIBIT C

Part II Explanation of Changes to Items in Part I (Enter the line number from page 1 for the items you are changing, and give the reason for each change. Show any computation in detail. Attach additional sheets if necessary. Also, see **What To Attach** on page 3 of the instructions.)

If the change is due to a net operating loss carryback, a capital loss carryback, or a general business credit carryback, see **Carryback Claims** on page 3, and check here ►

The return is being amended in order to carryback the net operating loss incurred in the taxable year ended December 31, 2000, to taxable year ended December 31, 1999 in accordance with internal revenue code section 1212.

Page 1, Line 2. Total deduction is increase by \$493,442 representing the loss from taxable year December 31, 2000 carried back.

Page 1, Line 3, Taxable income decrease is consistent with the increase on line 2 reported

Page 1, Line 4, Tax decrease is consistent with the decrease on line 3, reported.

U.S. Property and Casualty Insurance Company
Income Tax ReturnDepartment of the Treasury
Internal Revenue ServiceFor calendar year 1999, or tax year beginning 1999, and ending
► Instructions are separate. See page 18 for Paperwork Reduction Act Notice.

1999

A Check applicable box if
an election has been
made under section(s):
(1) 953(c)(3)(C)
(2) 953(d)

Please type or print

Name
QBE INSURANCE (INT'L.) LIMITED
Number and street, and room or suite no. (If a P.O. box, see page 5 of Instructions)
674 HARMON LOOP ROAD
City or town, state, and ZIP code
DEDEDO, GU 96912B Employer identification number
66 10516613
C Date incorporated
OCTOBER 1, 1986
D Check if a consolidated return
(Attach Form 851) E Check if: (1) Final return (2) Change of address (3) Amended return

1 Taxable income (Schedule A, line 37)	1	755356
2 Taxable investment income for electing small companies (Schedule B, line 21)	2	
3 Check if a member of a controlled group (see sections 1561 and 1563)	3	► <input type="checkbox"/>
Important: Members of a controlled group, see instructions on page 6.		
a If the box on line 3 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) <u>\$</u> (2) <u>\$</u> (3) <u>\$</u>	4	256821
b Enter the corporation's share of: (1) additional 5% tax (not to exceed \$11,750) <u>\$</u> (2) additional 3% tax (not to exceed \$100,000) <u>\$</u>	5	
4 Income tax	6	256821
5 Enter amount of tax that a reciprocal must include	7a	
6 Total. Add lines 4 and 5	7b	
7a Foreign tax credit (attach Form 1118)	7c	
b Other credits (see page 7 of instructions)	7d	15442
c General business credit. Enter here and check which forms are attached:	7e	15442
<input type="checkbox"/> 3800 <input type="checkbox"/> 3468 <input type="checkbox"/> 5884 <input type="checkbox"/> 6478 <input type="checkbox"/> 6765 <input type="checkbox"/> 8586 <input type="checkbox"/> 8830 <input type="checkbox"/> 8826 <input type="checkbox"/> 8835 <input type="checkbox"/> 8844 <input type="checkbox"/> 8845 <input type="checkbox"/> 8846 <input type="checkbox"/> 8820 <input type="checkbox"/> 8847 <input type="checkbox"/> 8861	8	241379
d Credit for prior year minimum tax (attach Form 8827)	9	
e Total credits. Add lines 7a through 7d	10	
8 Subtract line 7e from line 6	11	
9 Foreign corporations—Tax on income not connected with U.S. business	12	
10 Personal holding company tax (attach Schedule PH (Form 1120))	13	241379
11 Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611	14	
12 Alternative minimum tax (attach Form 4626)	15	241379
13 Add lines 8 through 12	16a	4843
14 Qualified zone academy bond credit (attach Form 8860)	16b	
15 Total tax. Subtract line 14 from line 13	16c	549000
16a 1998 overpayment credited to 1999	16d	
b Prior year(s) special estimated tax payments to be applied	16f	553843
c 1999 estimated tax payments (See instructions)	16g	
d 1999 special estimated tax payments (Do not include on line 16f)	16h	
e 1999 refund applied for on Form 4466	16i	
f Enter the total of lines 16a through 16c less line 16e	16j	553843
g Tax deposited with Form 7004		
h Credit by reciprocal for tax paid by attorney-in-fact under section 835(d)		
i Other credits and payments		
17 Estimated tax penalty (see page 8 of instructions). Check if Form 2220 is attached	17	
18 TAX DUE. If line 16j is smaller than the total of lines 15 and 17, enter AMOUNT OWED	18	
19 OVERPAYMENT. If line 16j is larger than the total of lines 15 and 17, enter AMOUNT OVERPAID	19	312464
20 Enter amount of line 19 you want: Credited to 2000 estimated tax ► \$ 144694 Refunded ►	20	167770

Tax Computation and Payments

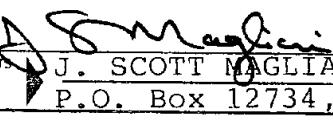
Sign
Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

01 11 02

Title

Paid Preparer's Use Only	Preparer's signature 	Date 1/4/02	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN 303-64-6413
	Firm's name (or yours if self-employed) and address	J. SCOTT MAGLIARI & COMPANY P.O. Box 12734, Tamuning, GU	EIN ► 66 10572328	ZIP code ► 96931

AS AMENDED

Form 1120-PC (1999)

Page 2

Schedule A Taxable Income—Section 832 (See page 8 of instructions.)

1	Premiums earned (Schedule E, line 7)	1	2958649
2	Dividends (Schedule C, line 14)	2	
		(a) Interest received	(b) Amortization of premium
3a Gross interest		350140	
b Interest exempt under section 103			
c Subtract line 3b from line 3a		350140	
d Taxable interest. Subtract line 3c, column (b) from line 3c, column (a)		3d	350140
4	Gross rents	4	
5	Gross royalties	5	
6	Capital gain net income (attach Schedule D (Form 1120))	6	
7	Net gain or (loss) (Form 4797, Part II, line 18, (attach Form 4797))	7	(4800)
8	Certain mutual fire or flood insurance company premiums (Section 832(b)(1)(D))	8	
9	Income on account of special income and deduction accounts	9	
10	Income from protection against loss account (See instructions)	10	
11	Mutual interinsurers or reciprocal underwriters—decrease in subscriber accounts	11	
12	Income from a special loss discount account (attach Form 8816)	12	
13	Other income (attach schedule)	13	292109
14	Gross income. Add lines 1 through 13	14	3596098
15	Compensation of officers (attach schedule) (See page 9 of instructions)	15	
16	Salaries and wages (less employment credits)	16	
17	Agency balances and bills receivable that became worthless during the tax year	17	
18	Rents	18	
19	Taxes and licenses	19	
20a	Interest ► [] b Less tax-exempt interest exp. ► [] c Bal. ► []	20c	
21	Charitable contributions (see page 10 of instructions for 10% limitation)	21	1358
22	Depreciation (attach Form 4562)	22	39264
23	Depletion	23	
24	Pension, profit-sharing, etc., plans	24	
25	Employee benefit programs	25	
26	Losses incurred (Schedule F, line 14)	26	593298
27	Additional deduction (attach Form 8816)	27	
28	Other capital losses (Schedule G, line 12, column (g))	28	
29	Dividends to policyholders	29	
30	Mutual interinsurers or reciprocal underwriters—increase in subscriber accounts	30	
31	Other deductions (See page 11 of instructions) (attach schedule)	31	1696130
32	Total deductions. Add lines 15 through 31	32	2330050
33	Subtotal. Subtract line 32 from line 14	33	1266048
34a	Special deduction for section 833 organizations (Schedule H, line 6)	34a	
b	Deduction on account of special income and deduction accounts	34b	
c	Total. Add lines 34a and 34b	34c	
35	Subtotal. Subtract line 34c from line 33	35	1266048
36a	Dividends-received deduction (Schedule C, line 25)	36a	
b	Net operating loss deduction	36b	510692
c	Total. Add lines 36a and 36b	36c	510692
37	Taxable income (subtract line 36c from line 35). Enter here and on page 1, line 1	37	755356

Form 1120-PC 1999

Schedule B Part I—Taxable Investment Income of Electing Small Companies—Section 834 (See page 13 of instructions.)

	(a) Interest received	(b) Amortization of premium		
1a Gross interest				
b Interest exempt under section 103				
c Subtract line 1b from line 1a				
d Taxable interest. Subtract line 1c, column (b) from line 1c, column (a)			1d	
2 Dividends (Schedule C, line 14)			2	
3 Gross rents			3	
4 Gross royalties			4	
5 Gross income from a trade or business, other than an insurance business, and from Form 4797			5	
6 Income from leases described in sections B34(b)(1)(B) and B34(b)(1)(C)			6	
7 Gain from Schedule D (Form 1120), line 13			7	
8 Gross investment income. Add lines 1d through 7			8	
9 Real estate taxes			9	
10 Other real estate expenses			10	
11 Depreciation (attach Form 4562)			11	
12 Depletion			12	
13 Trade or business deductions as provided in section B34(c)(8) (attach schedule)			13	
14 Interest			14	
15 Other capital losses (Schedule G, line 12, column (g))			15	
16 Total. Add lines 9 through 15.			16	
17 Investment expenses (attach schedule)			17	
18 Total deductions. Add lines 16 and 17.			18	
19 Subtract line 18 from line 8			19	
20 Dividends-received deduction (Schedule C, line 25)			20	
21 Taxable investment income. Subtract line 20 from line 19. Enter here and on page 1, line 2			21	

Part II—Invested Assets Book Values

(Complete only if claiming a deduction for general expenses allocated to investment income.)

	(a) Beginning of tax year	(b) End of tax year
22 Real estate	22	
23 Mortgage loans	23	
24 Collateral loans	24	
25 Policy loans, including premium notes	25	
26 Bonds of domestic corporations	26	
27 Stock of domestic corporations	27	
28 Government obligations, etc.	28	
29 Bank deposits bearing interest	29	
30 Other interest-bearing assets (attach schedule)	30	
31 Total. Add lines 22 through 30.	31	
32 Add columns (a) and (b), line 31		32
33 Mean of invested assets for the tax year. Enter one-half of line 32		33
34 Multiply line 33 by .0025		34
35 Income base. Line 1b, column (a) plus line 8 less the sum of line 1b, column (b) and line 16	35	
36 Multiply line 33 by .0375	36	
37 Subtract line 36 from line 35. Do not enter less than zero	37	
38 Multiply line 37 by .25		38
39 Limitation on deduction for investment expenses. Add lines 34 and 38.		39

AS AMENDED

Form 1120-PC (1999)

Page 4

Schedule C Dividends and Special Deductions (See page 13 of instructions.)		Dividends-Received	
		(a) Subject to section 832(b)(5)(B)	(b) Total dividends-received
Income			
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		
3	Dividends on debt-financed stock of domestic and foreign corporations		
4	Dividends on certain preferred stock of less-than-20%-owned public utilities		
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities		
6	Dividends on stock of certain less-than-20%-owned foreign corporations and certain FSCs		
7	Dividends on stock of certain 20%-or-more-owned foreign corporations and certain FSCs		
8	Dividends on stock of wholly owned foreign subsidiaries and FSCs		
9	Dividends from affiliated companies		
10	Other dividends from foreign corporations not included on lines 6, 7, and 8		
11	Income from controlled foreign corporations under subpart F (attach Forms 5471)		
12	Foreign dividend gross-up (section 78)		
13	Other dividends (attach schedule)		
14	Total dividends. Add lines 1 through 13. Enter here and on Schedule A, line 2, or Schedule B, line 2, whichever applies		
Deduction			
15	Multiply line 1 by 70%		
16	Multiply line 2 by 80%		
17	Deduction for line 3 (see page 14 of instructions)		
18	Multiply line 4 by 42%		
19	Multiply line 5 by 48%		
20	Multiply line 6 by 70%		
21	Multiply line 7 by 80%		
22	Enter the amount from line 8		
23	Total. Add lines 15 through 22. (See page 14 of instructions for limitation.)		
24	Total. Add line 23, column (a), and line 9, column (a). Enter here and on Schedule F, line 10		
25	Total deductions. Add line 23, column (b), and line 9, column (b). Enter here and on Schedule A, line 36a, or Schedule B, line 20, whichever applies	25	

Form 1120-PC 1999

Schedule E Premiums Earned—Section 832 (See page 15 of instructions.)

1	Net premiums written	1	2816112
2	Unearned premiums on outstanding business at the end of the preceding tax year:		
a	Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and all unearned premiums of section 833 organizations	2a	
b	Enter 90% of unearned premiums attributable to insuring certain securities	2b	
c	Discounted unearned premiums attributable to title insurance	2c	
d	Enter 80% of all other unearned premiums.	2d	1414188
e	Total. Add lines 2a through 2d	2e	1414188
3	Total. Add lines 1 and 2e	3	4230300
4	Unearned premiums on outstanding business at the end of the current tax year:		
a	Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and all unearned premiums of section 833 organizations	4a	
b	Enter 90% of unearned premiums attributable to insuring certain securities	4b	
c	Discounted unearned premiums attributable to title insurance	4c	
d	Enter 80% of all other unearned premiums.	4d	1271651
e	Total. Add lines 4a through 4d	4e	1271651
5	Subtract line 4e from line 3	5	2958649
6	Transitional adjustments under section 832(b)(7)(D). (See page 15 of instructions.)	6	
7	Premiums earned. Add lines 5 and 6. Enter here and on Schedule A, line 1.	7	2958649

Schedule F Losses Incurred—Section 832 (See page 15 of instructions.)

1	Losses paid during the tax year (attach schedule).	1	1031126
2	Balance outstanding at the end of the current tax year for:		
a	Unpaid losses on life insurance contracts	2a	
b	Discounted unpaid losses	2b	1583059
c	Total. Add lines 2a and 2b	2c	1583059
3	Add lines 1 and 2c	3	2614185
4	Balance outstanding at the end of the preceding tax year for:		
a	Unpaid losses on life insurance contracts	4a	
b	Discounted unpaid losses	4b	2020887
c	Total. Add lines 4a and 4b	4c	2020887
5	Subtract line 4c from line 3	5	593298
6	Estimated salvage and reinsurance recoverable at the end of the preceding tax year	6	
7	Estimated salvage and reinsurance recoverable at the end of the current tax year	7	
8	Losses incurred (line 5 plus line 6 less line 7)	8	593298
9	Tax-exempt interest subject to section 832(b)(5)(B)	9	
10	Dividends-received deduction subject to section 832(b)(5)(B) (Schedule C, line 24)	10	
11	The increase in policy cash value of section 264(f) policies as defined in section 805(a)(4)(F)	11	
12	Total. Add lines 9, 10 and 11.	12	
13	Reduction of deduction under section 832(b)(5)(B). Multiply line 12 by .15	13	
14	Losses incurred deductible under section 832(c)(4). Subtract line 13 from line 8. Enter here and on Schedule A, line 26.	14	593298

Schedule G Other Capital Losses (See page 16 of instructions.)
(Capital assets sold or exchanged to meet abnormal insurance losses and to pay dividends and similar distributions to policyholders.)

1	Dividends and similar distributions paid to policyholders	1				
2	Losses paid	2				
3	Expenses paid	3				
4	Total. Add lines 1, 2, and 3	4				
Note: Adjust lines 5 through 8 to cash method if necessary.						
5	Interest received	5				
6	Dividends received (Schedule C, line 14)	6				
7	Gross rents, gross royalties, lease income, etc., and gross income from a trade or business other than an insurance business including income from Form 4797 (include gains for invested assets only)	7				
8	Net premiums received	8				
9	Total. Add lines 5 through 8	9				
10	Limitation on gross receipts from sales of capital assets. Subtract line 9 from line 4. If zero or less, enter -0-	10				
(a) Description of capital asset	(b) Date acquired	(c) Gross sales price	(d) Cost or other basis	(e) Expense of sale	(f) Depreciation allowed (or allowable)	(g) Loss ((d) plus (e) less the sum of (c) and (f))
11						
12	Totals—column (c) must not be more than line 10. (Enter amount from column (g): in Schedule A, line 28, or Schedule B, line 15, whichever applies)					

Schedule H Special Deduction And Ending Adjusted Surplus for Section 833 Organizations (See page 16 of instructions.)

1	Health care claims incurred during the tax year and liabilities incurred during the taxable year under cost-plus contracts	1	
2	Expenses incurred during the tax year in connection with the administration, adjustment, or settlement of health care claims or in connection with the administration of cost-plus contracts	2	
3	Total. Add lines 1 and 2	3	
4	Multiply line 3 by .25	4	
5	Beginning adjusted surplus	5	
6	Special deduction. Subtract line 5 from line 4. If zero or less, enter -0-. Enter here and on Schedule A, line 34a. (See page 16 of instructions for limitation.)	6	
7	Net operating loss deduction (Schedule A, line 36b)	7	
8	Net exempt income:		
a	Adjusted tax-exempt income	8a	
b	Adjusted dividends-received deduction	8b	
9	Taxable income (Schedule A, line 37)	9	
10	Ending adjusted surplus. Add lines 5 through 9	10	

Schedule I Other Information (See page 16 of instructions.)

	Yes	No		Yes	No
1 Check method of accounting:			7 Was the corporation a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.)		
a <input type="checkbox"/> Cash			If "Yes," attach Form 5471 for each such corporation.		
b <input checked="" type="checkbox"/> Accrual			Enter number of Forms 5471 attached ►		
c <input type="checkbox"/> Other (specify) ►					
2 Check box for kind of company:			8 At any time during the 1999 calendar year, did the corporation have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank, securities, or other financial accounts)? If "Yes," the corporation may have to file Form TD F 90-22.1.		
a <input type="checkbox"/> Mutual			If "Yes," enter the name of the foreign country.		
b <input checked="" type="checkbox"/> Stock			►		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)			9 During the tax year, did the corporation receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the corporation may have to file Form 3520		
If "Yes," attach a schedule showing:					
(a) name and identification number;			10 Has the corporation elected to use its own payout pattern for discounting unpaid losses and unpaid loss adjustment expenses?		
(b) percentage owned; and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.			11a Enter the total unpaid losses shown on the corporation's annual statement:		
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?			(1) for the current tax year: \$ 1583059		
If "Yes," enter employer identification number and name of the parent corporation ►			(2) for the previous tax year: \$ 2020887		
5 At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)			b Enter the total unpaid loss adjustment expenses shown on the corporation's annual statement:		
If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.)			(1) for the current tax year: \$		
Enter percentage owned ►			(2) for the previous tax year: \$		
6 At anytime during the tax year, did one foreign person own, directly or indirectly, at least 25% of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation? If "Yes,"			12 Does the corporation discount any of the loss reserves shown on its annual statement?		
a Enter percentage owned ►			13 Enter the amount of tax-exempt interest received or accrued during the tax year ► \$		
b Enter owner's country ►			14 If the corporation has an NOL for the tax year and is electing to forgo the carryback period, check here ► <input type="checkbox"/>		
c The corporation may have to file Form 5472. Enter number of Forms 5472 attached ►			15 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 36b, Schedule A.) ► \$ 510692		

AS AMENDED

Form 1120-PC (1999)

Page 8

Schedule L Balance Sheets per Books (All filers are required to complete this schedule.)

Assets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
1 Cash		168182		206617
2a Trade notes and accounts receivable	()		()	
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities (see page 17 of instructions)				
6 Other current assets (attach schedule)		999891		1375422
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)		6187043		7861444
10a Buildings and other depreciable assets	245875		230985	
b Less accumulated depreciation	(152549)	93326	(170022)	60963
11a Depletable assets	()		()	
b Less accumulated depletion	()		()	
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization	()		()	
14 Other assets (attach schedule)		429332		408509
15 Total assets		7877774		9912955
Liabilities and Shareholders' Equity				
16 Accounts payable		1705642		3140480
17 Mortgages, notes, bonds payable in less than 1 year		3788622		3172623
18 Insurance liabilities (See page 17 of instructions)		187059		98021
19 Other current liabilities (attach schedule)				
20 Loans from shareholders				
21 Mortgages, notes, bonds payable in 1 year or more				
22 Other liabilities (attach schedule)				
23 Capital stock: a Preferred stock				
b Common stock		3377699		3398681
24 Additional paid-in capital		(1181248)		103150
25 Retained earnings—Appropriated (attach schedule)				
26 Retained earnings—Unappropriated				
27 Adjustments to shareholders' equity (attach schedule)				
28 Less cost of treasury stock		()		()
29 Total liabilities and shareholders' equity		7877774		9912955

Schedule M-1 Reconciliation of Income (Loss) per Books with Income per Return (See page 17 of instructions.)
(The corporation is not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d), of Schedule L are less than \$25,000.)

1 Net income (loss) per books	1284398	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax		a Tax-exempt interest \$	35634
3 Excess of capital losses over capital gains		b Deductions in this tax return not charged against book income this year (itemize)	
4 Income subject to tax not recorded on books this year (itemize)	1730	a Depreciation \$	
5 Expenses recorded on books this year not deducted in this return (itemize)		b Contributions carryover \$ 1358	1358
a Depreciation \$	7684	9 Add lines 7 and 8	36992
b Contributions carryover \$		10 Income (Schedule A, line 35) — subtract line 9 from line 6	1266048
c Travel and entertainment \$	9228		
6 Add lines 1 through 5	1303040		

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (line 26, Schedule L)

1 Balance at beginning of year	(1181248)	5 Distributions: a Cash	
2 Net income (loss) per books	1284398	b Stock	
3 Other increases (itemize)		c Property	
4 Add lines 1, 2, and 3	103150	6 Other decreases (itemize)	
		7 Add lines 5 and 6	
		8 Balance at end of year (subtract line 7 from line 4)	103150



Form 4626

Alternative Minimum Tax— Corporations

OMB No. 1545-0175

Department of the Treasury
Internal Revenue Service► See separate instructions.
► Attach to the corporation's tax return.

1999

Name

QBE INSURANCE (INTERNATIONAL) LIMITED

Employer identification number
66 0516613

1	1266048
2	514
2a	
2b	
2c	
2d	
2e	(10210)
2f	
2g	
2h	
2i	
2j	
2k	
2l	
2m	
2n	
2o	
2p	
2q	
2r	
2s	(9696)
3	1256352
4	1256352
4a	1256352
4b	0
4c	0
4d	227
4e	0
5	1256352
6	110025
7	1146327

1 Taxable income or (loss) before net operating loss deduction

2 Adjustments and preferences:

a Depreciation of post-1986 property

b Amortization of certified pollution control facilities

c Amortization of mining exploration and development costs

d Amortization of circulation expenditures (personal holding companies only)

e Adjusted gain or loss

f Long-term contracts

g Installment sales

h Merchant marine capital construction funds

i Section 833(b) deduction (Blue Cross, Blue Shield, and similar type organizations only)

j Tax shelter farm activities (personal service corporations only)

k Passive activities (closely held corporations and personal service corporations only)

l Loss limitations

m Depletion

n Tax-exempt interest from specified private activity bonds

o Intangible drilling costs

p Accelerated depreciation of real property (pre-1987)

q Accelerated depreciation of leased personal property (pre-1987) (personal holding companies only)

r Other adjustments

s Combine lines 2a through 2r

3 Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 and 2s

4 Adjusted current earnings (ACE) adjustment:

a Enter the corporation's ACE from line 10 of the worksheet on page 11 of the instructions

b Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see examples on page 6 of the instructions)

c Multiply line 4b by 75% (.75). Enter the result as a positive amount

d Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments (see page 6 of the instructions). **Note: You must enter an amount on line 4d (even if line 4b is positive).**

e ACE adjustment:

• If you entered a positive number or zero on line 4b, enter the amount from line 4c here as a positive amount.

• If you entered a negative number on line 4b, enter the smaller of line 4c or line 4d here as a negative amount.

5 Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe alternative minimum tax

6 Alternative tax net operating loss deduction (see page 7 of the instructions)

7 Alternative minimum taxable income. Subtract line 6 from line 5. If the corporation held a residual interest in a REMIC, see page 7 of the instructions

For Paperwork Reduction Act Notice, see page 10 of separate instructions.

Cat. No. 12955t

Form 4626 (1999)

8	Enter the amount from line 7 (alternative minimum taxable income)	8	1146327
9	Exemption phase-out computation (if line 8 is \$310,000 or more, skip lines 9a and 9b and enter -0- on line 9c):		
a	Subtract \$150,000 from line 8 (if you are completing this line for a member of a controlled group, see page 7 of the instructions). If zero or less, enter -0-	9a	
b	Multiply line 9a by 25% (.25).	9b	
c	Exemption. Subtract line 9b from \$40,000 (if you are completing this line for a member of a controlled group, see page 7 of the instructions). If zero or less, enter -0-	9c	0
10	Subtract line 9c from line 8. If zero or less, enter -0-	10	1146327
11	Multiply line 10 by 20% (.20).	11	229265
12	Alternative minimum tax foreign tax credit. See page 7 of the instructions	12	
13	Tentative minimum tax. Subtract line 12 from line 11.	13	229265
14	Regular tax liability before all credits except the foreign tax credit and possessions tax credit	14	256821
15	Alternative minimum tax. Subtract line 14 from line 13. Enter the result on the appropriate line of the corporation's income tax return (e.g., Form 1120, Schedule J, line 9). If zero or less, enter -0-	15	0

Name

QBE INSURANCE (INTERNATIONAL) LIMITEDEmployer identification number
66 0516613

- 1 Alternative minimum tax (AMT) for 1998. Enter the amount from line 15 of the 1998 Form 4626
- 2 Minimum tax credit carryforward from 1998. Enter the amount from line 9 of the 1998 Form 8827
- 3 Enter the total of any 1998 unallowed nonconventional source fuel credit and 1998 unallowed qualified electric vehicle credit. See instructions
- 4 Add lines 1, 2, and 3
- 5 Enter the corporation's 1999 regular income tax liability minus allowable tax credits. See instructions
- 6 If the corporation is:
 - A "small corporation" exempt from the AMT for 1999, and line 5 is \$25,000 or less, enter -0. See instructions.
 - A "small corporation" exempt from the AMT for 1999, and line 5 is more than \$25,000, enter 25% (.25) of the excess.
 - Not a "small corporation" exempt from the AMT for 1999, complete Form 4626 for 1999 and enter the tentative minimum tax from line 13
- 7 Subtract line 6 from line 5. If zero or less, enter -0-
- 8 Minimum tax credit. Enter the smaller of line 4 or line 7. Also enter this amount on the appropriate line of the corporation's income tax return (e.g., Form 1120, Schedule J, line 4e). If the corporation had a post-1986 ownership change or has pre-acquisition excess credits, see instructions
- 9 Minimum tax credit carryforward to 2000. Subtract line 8 from line 4. See instructions.

1	15442
2	
3	
4	15442
5	256821
6	229265
7	27556
8	15442
9	0

General Instructions*Section references are to the Internal Revenue Code.***Purpose of Form**

Form 8827 is used by corporations to figure the minimum tax credit, if any, for AMT incurred in prior tax years and to figure any minimum tax credit carryforward.

Who Should File

Form 8827 should be filed by corporations that had:

- An AMT liability in 1998;
- A minimum tax credit carryforward from 1998 to 1999; or
- A nonconventional source fuel credit or a qualified electric vehicle credit not allowed for 1998 (see the instructions for line 3).

Specific Instructions**Line 3**

Enter the total of any nonconventional source fuel credit and qualified electric vehicle credit not allowed for 1998 solely

because of the limitations under sections 29(b)(6)(B) and 30(b)(3)(B).

Line 5

Enter the corporation's 1999 regular income tax liability (as defined in section 26(b)) minus any credits allowed under Subchapter A, Part IV, subparts B, D, E, and F of the Internal Revenue Code (e.g., if you are filing Form 1120, subtract any credits on Schedule J, lines 4a through 4d, from the amount on Schedule J, line 3).

Line 6

See the 1999 Instructions for Form 4626 to find out if the corporation is treated as a "small corporation" exempt from the AMT. If the corporation is a "small corporation" exempt from the AMT, see section 38(c)(3) before completing line 6 for special rules that apply to controlled corporate groups, regulated investment companies, and real estate investment trusts.

Line 8

If the corporation had a post-1986 ownership change (as defined in section 382(g)), the amount of pre-change

minimum tax credits that can be applied against the corporation's tax for any tax year ending after the ownership change may be limited. See section 383 and the related regulations. To figure the amount of the pre-change credit, the corporation must allocate the credit for the change year between the pre-change period and the post-change period. The corporation must use the same method of allocation (ratable allocation or closing-of-the books) for purposes of sections 382 and 383. See Regulations section 1.382-6 for details.

Also, pre-acquisition excess credits of one corporation generally cannot be used to offset the tax attributable to recognized built-in gains of another corporation. See section 384 for details.

If either limit applies, attach a computation of the minimum tax credit allowed. Enter that amount on line 8. Write "Sec. 383" or "Sec. 384" on the dotted line to the left of the line 8 entry space.

Line 9

Keep a record of this amount to carry forward and use in future years.

Depreciation and Amortization
(Including Information on Listed Property)Department of the Treasury
Internal Revenue Service (99)► See instructions.
► Attach this form to your return.

1999

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Line(s) Shown on Return

Business or Activity to Which This Form Relates

Identifying Number

CBE Insurance (International) Limited

Insurance

66-0516613

Part I Election to Expense Certain Tangible Property (Section 179)
(Note: If you have any 'listed property,' complete Part V before you complete Part I.)

1 Maximum dollar limitation. If an enterprise zone business, see instructions	1	\$19,000.
2 Total cost of Section 179 property placed in service. See instructions	2	23,915.
3 Threshold cost of Section 179 property before reduction in limitation	3	\$200,000.
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0.	4	0.
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	19,000.

(a) Description of property	(b) Cost (business use only)	(c) Elected cost
13 Power blackout buster	1,716.	1,716.
See Additional Section 179 Property Statement		17,284.
7 Listed property. Enter amount from line 27	7	
8 Total elected cost of Section 179 property. Add amounts in column (c), lines 6 and 7	8	19,000.
9 Tentative deduction. Enter the smaller of line 5 or line 8	9	19,000.
10 Carryover of disallowed deduction from 1998. See instructions	10	
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	19,000.
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	19,000.
13 Carryover of disallowed deduction to 2000. Add lines 9 and 10, less line 12	13	0.

Note: Do not use Part II or Part III below for listed property (automobiles, certain other vehicles, cellular telephones, certain computers, or property used for entertainment, recreation, or amusement). Instead, use Part V for listed property.

Part II MACRS Depreciation for Assets Placed in Service Only During Your 1999 Tax Year
(Do Not Include Listed Property)

Section A - General Asset Account Election

4 If you are making the election under Section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check this box. See instructions

Section B - General Depreciation System (GDS) (See instructions)

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
15a 3-year property						
b 5-year property		4,915.	5	MQ	200DB	246.
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
			27.5 yrs	MM	S/L	
i Nonresidential real property	06/99	785.	39 yrs	MM	S/L	11.
				MM	S/L	

Section C - Alternative Depreciation System (ADS) (See instructions)

16a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part III Other Depreciation (Do Not Include Listed Property) (See instructions)

17 GDS and ADS deductions for assets placed in service in tax years beginning before 1999	17	14,629.
18 Property subject to Section 168(i)(1) election	18	
19 ACRS and other depreciation	19	553.

Part IV Summary (See instructions)

20 Listed property. Enter amount from line 26	20	4,825.
21 Total. Add deductions on line 12, lines 15 and 16 in column (g), and lines 17 through 20. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	21	39,264.
22 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to Section 263A costs	22	

Form 4797

Sales of Business Property
 (Also Involuntary Conversions and Recapture Amounts
 Under Sections 179 and 280F(b)(2))

OMB No. 1545-0184

Department of the Treasury
Internal Revenue Service (99)

► Attach to your tax return. ► See separate instructions.

1999

27

Name(s) Shown on Return

QBE Insurance (International) Limited

Identifying Number
66-0516613

1 Enter here the gross proceeds from the sale or exchange of real estate reported to you for 1999 on Form(s) 1099-S (or a substitute statement) that you will be including on line 2, 10, or 20 1

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions from Other Than Casualty or Theft – Property Held More Than 1 Year

2 (a) Description of property	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (Loss) Subtract (f) from the sum of (d) and (e)
Data Processing Equipment	Various	12/31/99	910	35380	41090	-4800

3 Gain, if any, from Form 4684, line 39	3
4 Section 1231 gain from installment sales from Form 6252, line 26 or 37	4
5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824	5
6 Gain, if any, from line 32, from other than casualty or theft	6
7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows Partnerships (except electing large partnerships). Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 6. Skip lines 8, 9, 11, and 12 below. S corporations. Report the gain or (loss) following the instructions for Form 1120S, Schedule K, lines 5 and 6. Skip lines 8, 9, 11, and 12 below, unless line 7 is a gain and the S corporation is subject to the capital gains tax. All others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on Schedule D and skip lines 8, 9, and 12 below.	7 -4,800
8 Nonrecaptured net section 1231 losses from prior years (see instructions)	8
9 Subtract line 8 from line 7. If zero or less, enter -0-. Also enter on the appropriate line as follows (see instructions)	9
S corporations. Enter any gain from line 9 on Schedule D (Form 1120S), line 14, and skip lines 11 and 12 below. All others. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below, and enter the gain from line 9 as a long-term capital gain on Schedule D.	

Part II Ordinary Gains and Losses

10 Ordinary gains and losses not included on lines 11 through 17 (include property held 1 year or less):

11 Loss, if any, from line 7	11	-4,800
12 Gain, if any, from line 7 or amount from line 8, if applicable	12	
13 Gain, if any, from line 31	13	
14 Net gain or (loss) from Form 4684, lines 31 and 38a	14	
15 Ordinary gain from installment sales from Form 6252, line 25 or 36	15	
16 Ordinary gain or (loss) from like-kind exchanges from Form 8824	16	
17 Recapture of section 179 expense deduction for partners and S corporation shareholders from property dispositions by partnerships and S corporations (see instructions)	17	
18 Combine lines 10 through 17. Enter the gain or (loss) here, and on the appropriate line as follows a For all except individual returns: Enter the gain or (loss) from line 18 on the return being filed. b For individual returns: (1) If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from Form 4797, line 18b(1). See instructions	18	-4,800

(2) Redetermine the gain or (loss) on line 18, excluding the loss, if any, on line 18b(1). Enter here and on

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Form 4797, line 18b(2)

Part III Gain from Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

19(a) Description of Section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo, day, yr)	(c) Date sold (mo, day, yr)
A		
B		
C		
D		
These columns relate to the properties on lines 19A through 19D ►		
20 Gross sales price (Note: See line 1 before completing.)	20	Property A
21 Cost or other basis plus expense of sale	21	Property B
22 Depreciation (or depletion) allowed or allowable	22	Property C
23 Adjusted basis. Subtract line 22 from line 21	23	Property D
24 Total gain. Subtract line 23 from line 20	24	
25 If Section 1245 property:		
a Depreciation allowed or allowable from line 22	25a	
b Enter the smaller of line 24 or 25a	25b	
26 If Section 1250 property: If straight line depreciation was used, enter -0- on line 26a, except for a corporation subject to Section 291.		
a Additional depreciation after 1975 (see instrs)	26a	
b Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions)	26b	
c Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e	26c	
d Additional depreciation after 1969 & before 1976	26d	
e Enter the smaller of line 26c or 26d	26e	
f Section 291 amount (corporations only)	26f	
g Add lines 26b, 26e, and 26f	26g	
27 If Section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).		
a Soil, water, and land clearing expenses	27a	
b Line 27a multiplied by applicable percentage (see instructions)	27b	
c Enter the smaller of line 24 or 27b	27c	
28 If Section 1254 property:		
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see instrs)	28a	
b Enter the smaller of line 24 or 28a	28b	
29 If Section 1255 property:		
a Applicable percentage of payments excluded from income under Section 126 (see instructions)	29a	
b Enter the smaller of line 24 or 29a (see instrs)	29b	

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30 Total gains for all properties. Add property columns A through D, line 24	30
31 Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31
32 Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6	32

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(See instructions.)

	(a) Section 179	(b) Section 280F(b)(2)
33 Section 179 expense deduction or depreciation allowable in prior years	33	
34 Recomputed depreciation. See instructions	34	
35 Recapture amount. Subtract line 34 from line 33. See instructions for where to report	35	

Form 1120, Page 1, Line 10
Other Income Statement

Foreign exchange gain on investments	290,379.
Sec. 842 investment income	1,730.
Total	<u>292,109.</u>

Form 1120, Page 1, Line 26
Other Deductions Statement

Administrative expenses	179,000.
Commissions	508,770.
Deferred acquisition costs	14,649.
Investment expense	3,997.
Sundries	989,714.
Total	<u>1,696,130.</u>

Form 1120, Page 4, Schedule L, Line 6
Ln 6 Stmt

Other Current Assets:	Beginning of tax year	End of tax year
Accrued investment income	9,938.	66,972.
Prepaid expenses	15,958.	8,359.
Prepaid income tax	94,278.	422,819.
Prepaid withholding tax	5,834.	1,920.
Sundry debtors	873,883.	875,352.
Total	<u>999,891.</u>	<u>1,375,422.</u>

Form 1120, Page 4, Schedule L, Line 9
Ln 9 Stmt

Other Investments:	Beginning of tax year	End of tax year
Investment	6,187,043.	7,861,444.
Total	<u>6,187,043.</u>	<u>7,861,444.</u>

Form 1120, Page 4, Schedule L, Line 14
Ln 14 Stmt

Other Assets:	Beginning of tax year	End of tax year
Deferred acquisition costs	211,722.	207,504.
Deferred commissions	217,610.	201,005.
Total	<u>429,332.</u>	<u>408,509.</u>

Form 1120, Page 4, Schedule L, Line 18
Ln 18 Stmt

Other Current Liabilities:	Beginning of tax year	End of tax year
Accrued expenses	73,617.	76,286.
Trade creditors	113,442.	21,735.
Total	187,059.	98,021.

Form 1120, Page 4, Schedule M-1, Line 4
Ln 4 Stmt

Sec. 842 investment income	1,730.
Total	1,730.

Form 1120, Page 4, Schedule M-1, Line 5
Ln 5 Stmt

Loss on sale of assets - book over tax	4,808.
Unclosed movement	4,420.
Total	9,228.

Form 1120, Page 4, Schedule M-1, Line 7
Ln 7 Stmt

Unearned premiums	35,634.
Total	35,634.

Form 4562, line 6
Additional Section 179 Property Statement

(a) Description of property	(b) Cost (bus use only)	(c) Elected cost
14 Matchair 45 x 53	546.	546.
2 Blackout buster/3 zip pack	406.	406.
21 Shelving & labor for installation	5,620.	5,620.
4 CD 24x IDE (OEM)	214.	214.
7 Case B2-D mini tower AT	294.	294.
7 CPU PII-350 KAL SECC2 intel	1,537.	1,537.
7 FAN SECC2 PII fan	102.	102.
7 HD 6.4GB Fujitsu Eide	1,127.	1,127.
7 KB Lite-on SK-1100P 105Key PS2 w/Wristrest	160.	160.
7 M8 Amptron PII-3748LMT w/Vid/SC/FM/Net	1,025.	1,025.
7 MEM 64 MB 5-DRAW (PC-100) DIMM	539.	539.
7 MSE A4tech SWW-5 advanced 3D mouse	96.	96.
8 Mtr 15" Decaview V260.28DP 1280	1,409.	1,409.
Network server - IBM	6,078.	1,163.
PII-350X 64MB NIC	3,046.	3,046.

Form 4562, line 6

Additional Section 179 Property Statement

Continued

(a) Description of property	(b) Cost (bus use only)	(c) Elected cost
Total		<u>17,284.</u>

QBE Insurance (International) Limited
EIN: 66-0516613
December 31, 1999

Schedule 5

Historical Summary of
Effectively Connected Earnings & Profits and Dividend Equivalent Amounts
Form 1120-F, Page 5, Section III, Part I, Lines 3 and 5

Tax Year/ Period	Current E & P	Accumulated E & P	Dividend Equivalent	Available E & P
12/31/1995	(180,395)	-	-	(180,395)
12/31/1996	(130,641)	(180,395)	-	(311,036)
12/31/1997	(897,802)	(311,036)	-	(1,208,838)
12/31/1998	1,147,234	(1,208,838)	320,342	(381,946)
Total Dividend Equivalent Amounts			<u>320,342</u>	

QBE Insurance (International) Limited
EIN: 66-0516613
December 31, 1999

Schedule 6

Computation of Guam Net Equity Under Reg. §1.884-1
Form 1120-F, Page 5, Section III, Part I, Lines 4a and 4b

	<u>12/31/98</u>	<u>12/31/99</u>
(1) ASSET DETERMINATION:		
Guam Assets	7,877,774	9,912,955
<u>Less: Interbranch Assets</u>	<u>0</u>	<u>0</u>
Guam Connected Assets	7,877,774	9,912,955
(2) LIABILITY DETERMINATION:		
FIXED RATIO	50.000000%	50.000000%
Guam Connected Assets	7,877,774	9,912,955
<u>Guam Connected Liabilities</u>	<u>3,938,887</u>	<u>4,956,478</u>
Reduction in Liabilities		0
<u>Guam Adjusted Liabilities</u>	<u>3,938,887</u>	<u>4,956,478</u>
Guam Net Equity	<u>3,938,887</u>	<u>4,956,477</u>

QBE Insurance (International) Limited

EIN: 66-0516613

December 31, 1999

Schedule 7

Adjustments to Arrive at Effectively Connected Earnings & Profits
Form 1120-F, Page 5, Section III, Part I, Line 2

Loss on sale of fixed assets	\$ (4,808)
Depreciation	(8,073)
Income tax	<u>(409,149)</u>
	<u>\$ (422,030)</u>

Net Operating Loss Summary

NOL Carryover Year	A NOL Carryover Available	B Deduction Allowed in Current Year	C Adjustment Under Section 172(b)(2)	D Remaining Carryover New Law	E Remaining Carryover Old Law
1998-2000	493 442	493 442		0	0
1997	17,250.	17,250.		0.	0.
1996					
1995					
1994					
1993					
1992					
1991					
1990					
1989					
1988					
1987					
1986					
1985					
1984					
Totals	410 692	410 692		0.	0.
Less: Carryover expiring due to 15-year limitation					
Add: Current year net operating loss					
Less: Carryback of current year net operating loss					
Net operating loss carryover to next year					0.

CPCW7501.SCR 10/15/99

DC

U.S. Property and Casualty Insurance Company
Income Tax Return

OMB No. 1545-1027

U.S. Treasury
ServiceFor calendar year 1999, or tax year beginning 1999, due in

► Instructions are separate. See page 18 for Paperwork Reduction Act Notice.

COPY

1999

Check applicable box if an election has been made under section(s):

(1) 953(c)(3)(C)
 (2) 953(d)

Please type or print

Name: **QBE Insurance (International) Limited**
 Number and street, and room or suite no. (If a P.O. box, see page 5 of Instructions)
674 Harmon Loop Road
 City or town, state, and ZIP code
Dededo, GU 96912

B Employer identification number
66-0516613
 C Date incorporated
October 1, 1886
 D Check if a consolidated return
 (Attach Form 851)

E Check if: (1) Final return (2) Change of address (3) Amended return

1 Taxable income (Schedule A, line 37)	1	1,248,798
2 Taxable investment income for electing small companies (Schedule B, line 21)	2	
3 Check if a member of a controlled group (See sections 1561 and 1563)		► <input type="checkbox"/>
Important: Members of a controlled group, see instructions on page 6.		
a If the box on line 3 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) \$ (2) \$ (3) \$		
b Enter the corporation's share of (1) additional 5% tax (not to exceed \$11,750)		\$
(2) additional 3% tax (not to exceed \$100,000)		\$
4 Income tax	4	424,591
5 Enter amount of tax that a reciprocal must include	5	
6 Total. Add lines 4 and 5	6	424,591
7a Foreign tax credit (attach Form 1118)	7a	
b Other credits (See page 7 of instructions)	7b	
c General business credit. Enter here and check which forms are attached:		
<input type="checkbox"/> 3800 <input type="checkbox"/> 3468 <input type="checkbox"/> 5884 <input type="checkbox"/> 6478 <input type="checkbox"/> 6765 <input type="checkbox"/> 8586 <input type="checkbox"/> 8830 <input type="checkbox"/> 8826 <input type="checkbox"/> 8835 <input type="checkbox"/> 8844 <input type="checkbox"/> 8845 <input type="checkbox"/> 8846 <input type="checkbox"/> 8820 <input type="checkbox"/> 8847 <input type="checkbox"/> 8861		
d Credit for prior year minimum tax (attach Form 8827)	7d	15,442
e Total credits. Add lines 7a through 7d	7e	15,442
8 Subtract line 7e from line 6	8	409,149
9 Foreign corporations — Tax on income not connected with U.S. business	9	
10 Personal holding company tax (attach Schedule PH (Form 1120))	10	
11 Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611	11	
12 Alternative minimum tax (attach Form 4626)	12	
13 Add lines 8 through 12	13	
14 Qualified zone academy bond credit (attach Form 8860)	14	
15 Total tax. Subtract line 14 from line 13	15	409,149
16a 1998 overpayment credited to 1999	16a	
b Prior year(s) special estimated tax payments to be applied	16b	
c 1999 estimated tax payments (See instructions)	16c	549,000
d 1999 special estimated tax payments (Do not include on line 16f)	16d	
e 1999 refund applied for on Form 4466	16e	
f Enter the total of lines 16a through 16c less line 16e	16f	553,843
g Tax deposited with Form 7004	16g	
h Credit by reciprocal for tax paid by attorney-in-fact under section 835(d)	16h	
i Other credits and payments	16i	
17 Estimated tax penalty (See page 8 of instructions). Check if Form 2220 is attached	17	
18 TAX DUE. If line 16j is smaller than the total of lines 15 and 17, enter AMOUNT OWED	18	0
19 OVERPAYMENT. If line 16j is larger than the total of lines 15 and 17, enter AMOUNT OVERPAID	19	144,694
20 Enter amount of line 19 you want: Credited to 2000 estimated tax ► \$ 144,694 Refunded ► \$ 0	20	0

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign
Here

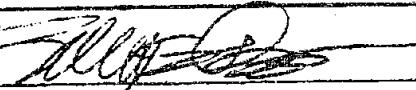

 Signature of officer

109,1500

Date

Title

Preparer's SSN or PTIN

id Preparer's Use Only	Preparer's signature 	Date 2/14/2003	Check if self-employed <input type="checkbox"/>	586-74-4371
	Firm's name (or yours if self-employed) and address Ernst & Young LLP 231 Ypao Rd, Ste 201, Tamuning, GU	EIN 66-0526565	ZIP code 96911	Form 1120-PC 1999

Schedule A Taxable Income — Section 832 (See page 8 of instructions.)

		COPY		1	2,958,649	
				2		
Income	1 Premiums earned (Schedule E, line 7)					
	2 Dividends (Schedule C, line 14)					
	3a Gross interest	(a) Interest received		(b) Amortization of premium		
	b Interest exempt under section 103					
	c Subtract line 3b from line 3a			350,140		
	d Taxable interest. Subtract line 3c, column (b) from line 3c, column (a)					
	4 Gross rents					3d 350,140
	5 Gross royalties					4
	6 Capital gain net income (attach Schedule D (Form 1120))					5
	7 Net gain or (loss) (Form 4797, Part II, line 18, (attach Form 4797))					6
	8 Certain mutual fire or flood insurance company premiums (Section 832(b)(1)(D))					7 (4,800)
	9 Income on account of special income and deduction accounts					8
	10 Income from protection against loss account (See instructions)					9
	11 Mutual interinsurers or reciprocal underwriters — decrease in subscriber accounts					10
12 Income from a special loss discount account (attach Form 8816)					11	
13 Other income (attach schedule)			Other Income Stmt		12	
14 Gross income. Add lines 1 through 13					13 292,109	
15 Compensation of officers (attach schedule) (See page 9 of instructions)					14 3,596,098	
16 Salaries and wages (less employment credits)					15	
17 Agency balances and bills receivable that became worthless during the tax year					16	
18 Rents					17	
19 Taxes and licenses					18	
20a Interest ► b Less tax-exempt interest exp. ► c Bal. ►					19	
21 Charitable contributions (See page 10 of instructions for 10% limitation)					20c	
22 Depreciation (attach Form 4562)					21 1,358	
23 Depletion					22 39,264	
24 Pension, profit-sharing, etc., plans					23	
25 Employee benefit programs					24	
26 Losses incurred (Schedule F, line 14)					25	
27 Additional deduction (attach Form 8816)					26 593,298	
28 Other capital losses (Schedule G, line 12, column (9))					27	
29 Dividends to policyholders					28	
30 Mutual interinsurers or reciprocal underwriters — increase in subscriber accounts					29	
31 Other deductions (See page 11 of instructions) (attach schedule)	PAGE: Other Deductions				30	
32 Total deductions. Add lines 15 through 31					31 1,696,130	
33 Subtotal. Subtract line 32 from line 14					32 2,330,050	
34a Special deduction for section 833 organizations (Schedule H, line 6)	34a			33 1,266,048		
b Deduction on account of special income and deduction accounts	34b					
c Total. Add lines 34a and 34b						
35 Subtotal. Subtract line 34c from line 33	34c					
36a Dividends-received deduction (Schedule C, line 25)	36a			35 1,266,048		
b Net operating loss deduction	36b	17,250				
c Total. Add lines 36a and 36b				36c 17,250		
37 Taxable income (subtract line 36c from line 35). Enter here and on page 1, line 1	37			37 1,248,798		

Form 1120-PC 1999

Schedule B**Part I — Taxable Investment Income of Electing Small Businesses — Section 834 (See page 13 of instructions.)****COPY**

	(a) Interest received	(b) Amortization of premium	
1a Gross interest			
b Interest exempt under section 103			
c Subtract line 1b from line 1a			1d
d Taxable interest. Subtract line 1c, column (b) from line 1c, column (a)			2
2 Dividends (Schedule C, line 14)			3
3 Gross rents			4
4 Gross royalties			5
5 Gross income from a trade or business, other than an insurance business, and from Form 4797			6
6 Income from leases described in sections 834(b)(1)(B) and 834(b)(1)(C)			7
7 Gain from Schedule D (Form 1120), line 13			8
8 Gross investment income. Add lines 1d through 7			9
9 Real estate taxes			10
10 Other real estate expenses			11
11 Depreciation (attach Form 4562)			12
12 Depletion			13
13 Trade or business deductions as provided in section 834(c)(8) (attach schedule)			14
14 Interest			15
15 Other capital losses (Schedule G, line 12, column (g))			16
16 Total. Add lines 9 through 15			17
17 Investment expenses (attach schedule)			18
18 Total deductions. Add lines 16 and 17			19
19 Subtract line 18 from line 8			20
20 Dividends-received deduction (Schedule C, line 25)			21
21 Taxable investment income. Subtract line 20 from line 19. Enter here and on page 1, line 2			

Part II — Invested Assets Book Values

(Complete only if claiming a deduction for general expenses allocated to investment income.)

	(a) Beginning of tax year	(b) End of tax year
22 Real estate	22	
23 Mortgage loans	23	
24 Collateral loans	24	
25 Policy loans, including premium notes	25	
26 Bonds of domestic corporations	26	
27 Stock of domestic corporations	27	
28 Government obligations, etc.	28	
29 Bank deposits bearing interest	29	
30 Other interest-bearing assets (attach schedule)	30	
31 Total. Add lines 22 through 30	31	
32 Add columns (a) and (b), line 31		32
33 Mean of invested assets for the tax year. Enter one-half of line 32		33
34 Multiply line 33 by .0025		34
35 Income base. Line 1b, column (a) plus line 8 less the sum of line 1b, column (b) and line 16	35	
36 Multiply line 33 by .0375	36	
37 Subtract line 36 from line 35. Do not enter less than zero	37	
38 Multiply line 37 by .25		38
39 Limitation on deduction for investment expenses. Add lines 34 and 38		39

Schedule C Dividends and Special Deductions (See page 13 of instructions.)		Dividends-Received	
		(a) Subject to section 832(b)(5)(B)	(b) Total dividends- received
Income			
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	1	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)	2	
3	Dividends on debt-financed stock of domestic and foreign corporations	3	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	4	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	5	
6	Dividends on stock of certain less-than-20%-owned foreign corporations and certain FSCs	6	
7	Dividends on stock of certain 20%-or-more-owned foreign corporations and certain FSCs	7	
8	Dividends on stock of wholly owned foreign subsidiaries and FSCs	8	
9	Dividends from affiliated companies	9	
10	Other dividends from foreign corporations not included on lines 6, 7, and 8	10	
11	Income from controlled foreign corporations under subpart F (attach Form 5471)	11	
12	Foreign dividend gross-up (section 78)	12	
13	Other dividends (attach schedule)	13	
14	Total dividends. Add lines 1 through 13. Enter here and on Schedule A, line 2, or Schedule B, line 2, whichever applies	14	
Deduction			
		Dividends-Received Deduction	
		(a) Subject to section 832(b)(5)(B)	(b) Total dividends- received deduction
15	Multiply line 1 by 70%	15	
16	Multiply line 2 by 80%	16	
17	Deduction for line 3 (See page 14 of instructions)	17	
18	Multiply line 4 by 42%	18	
19	Multiply line 5 by 48%	19	
20	Multiply line 6 by 70%	20	
21	Multiply line 7 by 80%	21	
22	Enter the amount from line 8	22	
23	Total. Add lines 15 through 22. (See page 14 of instructions for limitation.)	23	
24	Total. Add line 23, column (a), and line 9, column (a). Enter here and on Schedule F, line 10	24	
25	Total deductions. Add line 23, column (b), and line 9, column (b). Enter here and on Schedule A, line 36a, or Schedule B, line 20, whichever applies	25	

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Schedule E Premiums Earned — Section 832 (See page 15 of instructions.)

Net premiums written	1	2,816,112
2 Unearned premiums on outstanding business at the end of the preceding tax year:		
a Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and all unearned premiums of section 833 organizations	2a	
b Enter 90% of unearned premiums attributable to insuring certain securities	2b	
c Discounted unearned premiums attributable to title insurance	2c	
d Enter 80% of all other unearned premiums	2d	1,414,188
e Total. Add lines 2a through 2d	2e	1,414,188
3 Total. Add lines 1 and 2e	3	4,230,300
4 Unearned premiums on outstanding business at the end of the current tax year:		
a Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and all unearned premiums of section 833 organizations	4a	
b Enter 90% of unearned premiums attributable to insuring certain securities	4b	
c Discounted unearned premiums attributable to title insurance	4c	
d Enter 80% of all other unearned premiums	4d	1,271,651
e Total. Add lines 4a through 4d	4e	1,271,651
5 Subtract line 4e from line 3	5	2,958,649
6 Transitional adjustments under section 832(b)(7)(D). (See page 15 of instructions.)	6	
7 Premiums earned. Add lines 5 and 6. Enter here and on Schedule A, line 1	7	2,958,649

Schedule F Losses Incurred — Section 832 (See page 15 of instructions.)

1 Losses paid during the tax year (attach schedule)	1	1,031,126
2 Balance outstanding at the end of the current tax year for:		
a Unpaid losses on life insurance contracts	2a	
b Discounted unpaid losses	2b	1,583,059
c Total. Add lines 2a and 2b	2c	1,583,059
3 Add lines 1 and 2c	3	2,614,185
4 Balance outstanding at the end of the preceding tax year for:		
a Unpaid losses on life insurance contracts	4a	
b Discounted unpaid losses	4b	2,020,887
c Total. Add lines 4a and 4b	4c	2,020,887
5 Subtract line 4c from line 3	5	593,298
6 Estimated salvage and reinsurance recoverable at the end of the preceding tax year	6	
7 Estimated salvage and reinsurance recoverable at the end of the current tax year	7	
8 Losses incurred (line 5 plus line 6 less line 7)	8	593,298
9 Tax-exempt interest subject to section 832(b)(5)(B)	9	
10 Dividends-received deduction subject to section 832(b)(5)(B) (Schedule C, line 24)	10	
11 The increase in policy cash value of section 264(f) policies as defined in section 805(a)(4)(F)	11	
12 Total. Add lines 9, 10 and 11	12	
13 Reduction of deduction under section 832(b)(5)(B). Multiply line 12 by .15	13	
14 Losses incurred deductible under section 832(c)(4). Subtract line 13 from line 8. Enter here and on Schedule A, line 26	14	593,298

Schedule G**Other Capital Losses** (See page 16 of instructions.)

(Capital assets sold or exchanged to meet abnormal insurance losses and to pay dividends and similar distributions to policyholders.)

1	Dividends and similar distributions paid to policyholders.....	1				
2	Losses paid.....	2				
3	Expenses paid.....	3				
4	Total. Add lines 1, 2, and 3.....	4				
Note: Adjust lines 5 through 8 to cash method if necessary.						
5	Interest received.....	5				
6	Dividends received (Schedule C, line 14).....	6				
7	Gross rents, gross royalties, lease income, etc., and gross income from a trade or business other than an insurance business including income from Form 4797 (include gains for invested assets only).....	7				
8	Net premiums received.....	8				
9	Total. Add lines 5 through 8.....	9				
10	Limitation on gross receipts from sales of capital assets. Subtract line 9 from line 4. If zero or less, enter -0-.....	10				
(a) Description of capital asset	(b) Date acquired	(c) Gross sales price	(d) Cost or other basis	(e) Expense of sale	(f) Depreciation allowed (or allowable)	(g) Loss ((d) plus (e) less the sum of (c) and (f))
11						
12	Totals — column (c) must not be more than line 10. (Enter amount from column (g) in Schedule A, line 28, or Schedule B, line 15, whichever applies).....					

Schedule H Special Deduction And Ending Adjusted Surplus for Section 833 Organizations
(See page 16 of instructions.)

1	Health care claims incurred during the tax year and liabilities incurred during the taxable year under cost-plus contracts.....	1	
2	Expenses incurred during the tax year in connection with the administration, adjustment, or settlement of health care claims or in connection with the administration of cost-plus contracts.....	2	
3	Total. Add lines 1 and 2.....	3	
4	Multiply line 3 by .25.....	4	
5	Beginning adjusted surplus.....	5	
6	Special deduction. Subtract line 5 from line 4. If zero or less, enter -0-. Enter here and on Schedule A, line 34a. (See page 16 of instructions for limitation.).....	6	
7	Net operating loss deduction (Schedule A, line 36b).....	7	
8	Net exempt income:		
a	Adjusted tax-exempt income.....	8a	
b	Adjusted dividends-received deduction.....	8b	
9	Taxable income (Schedule A, line 37).....	9	
10	Ending adjusted surplus. Add lines 5 through 9.....	10	

Schedule I Other Information (See page 16 of instructions.)

	Yes	No		Yes	No
1 Check method of accounting:			b Enter owner's country ►		
a <input type="checkbox"/> Cash			c The corporation may have to file Form 5472. Enter number of Forms 5472 attached ►		
b <input checked="" type="checkbox"/> Accrual			7 Was the corporation a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957).		X
c <input type="checkbox"/> Other (specify) ►			If "Yes," attach Form 5471 for each such corporation.		
2 Check box for kind of company:		X	Enter number of Forms 5471 attached ►		
a <input type="checkbox"/> Mutual			8 At any time during the 1999 calendar year, did the corporation have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank, securities, or other financial accounts)? If "Yes," the corporation may have to file Form TD F 90-22.1.		X
b <input checked="" type="checkbox"/> Stock			If "Yes," enter the name of the foreign country.		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)			►		
If "Yes," attach a schedule showing:			9 During the tax year, did the corporation receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the corporation may have to file Form 3520.		X
(a) name and identification number;			10 Has the corporation elected to use its own payout pattern for discounting unpaid losses and unpaid loss adjustment expenses?		
(b) percentage owned; and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.			11a Enter the total unpaid losses shown on the corporation's annual statement:		
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?	X		(1) for the current tax year: \$ <u>1,583,059</u>		
If "Yes," enter employer identification number and name of the parent corporation ►			(2) for the previous tax year: \$ <u>2,020,887</u>		
5 At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)		X	b Enter the total unpaid loss adjustment expenses shown on the corporation's annual statement:		
If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.)			(1) for the current tax year: \$		
Enter percentage owned ►			(2) for the previous tax year: \$		
6 At anytime during the tax year, did one foreign person own, directly or indirectly, at least 25% of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation? If "Yes,"		X	12 Does the corporation discount any of the loss reserves shown on its annual statement?		
a Enter percentage owned ►			13 Enter the amount of tax-exempt interest received or accrued during the tax year ► \$ <u>0</u>		
			14 If the corporation has an NOL for the tax year and is electing to forgo the carryback period, check here ► <input type="checkbox"/>		
			15 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 36b, Schedule A.) ► \$ <u>17,250</u>		

Schedule L Balance Sheets per Books (All filers are required to complete this schedule.)

Assets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Cash		168,182		206,617
2a Trade notes and accounts receivable				
b Less allowance for bad debts	()		()	
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities (See page 17 of instructions)				
6 Other current assets (attach schedule)	Ln 6 Stmt	999,891		1,375,422
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)	Ln 9 Stmt	6,187,043		7,861,444
10a Buildings and other depreciable assets				
b Less accumulated depreciation	(152,549)	93,326	(170,022)	60,963
11a Depletable assets				
b Less accumulated depletion	()		()	
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization	()		()	
14 Other assets (attach schedule)	Ln 14 Stmt	429,332		408,509
15 Total assets		7,877,774		9,912,955
Liabilities and Shareholders' Equity				
16 Accounts payable		1,705,642		3,140,480
17 Mortgages, notes, bonds, payable in less than 1 year		3,788,622		3,172,623
18 Insurance liabilities (See page 17 of instructions)		187,059		98,021
19 Other current liabilities (attach schedule)	Ln 18 Stmt			
20 Loans from shareholders				
21 Mortgages, notes, bonds payable in 1 year or more				
Other liabilities (attach schedule)				
23 Capital stock: a Preferred stock				
b Common stock		3,377,699		3,398,681
24 Additional paid-in capital				
25 Retained earnings — Appropriated (attach schedule)		(1,181,248)		103,150
26 Retained earnings — Unappropriated				
27 Adjustments to shareholders' equity (attach schedule)				
28 Less cost of treasury stock		()		()
29 Total liabilities and shareholders' equity		7,877,774		9,912,955

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 17 of instructions.)
(The corporation is not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than \$25,000.)

1 Net income (loss) per books	1,284,398	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax		a Tax-exempt interest \$	35,634
3 Excess of capital losses over capital gains		Ln 7 Stmt	
4 Income subject to tax not recorded on books this year (itemize)	Ln 4 Stmt	b Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)	1,730	a Depreciation \$	
a Depreciation \$	7,684	b Contributions carryover \$	1,358
b Contributions carryover \$		1,358	
c Travel and entertainment \$		36,992	
Ln 5 Stmt	9,228	9 Add lines 7 and 8	
6 Add lines 1 through 5	16,912	10 Income (Schedule A, line 35) — subtract line 9 from line 6	1,266,048
	1,303,040		

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (line 26, Schedule L)

1 Balance at beginning of year	(1,181,248)	5 Distributions: a Cash	
2 Net income (loss) per books	1,284,398	b Stock	
3 Other increases (itemize)		c Property	
		6 Other decreases (itemize)	
4 Add lines 1, 2, and 3	103,150	7 Add lines 5 and 6	
		8 Balance at end of year (subtract line 7 from line 4)	103,150

Form 4562

Depreciation and Amortization

(Including Information on Listed Property)

OMB No. 1545-0172

COPY

67

Department of the Treasury
Internal Revenue Service (99)

► See instructions.
► Attach this form to your return.

Identifying Number
66-0516613

Name(s) Shown on Return

Business or Activity to Which This Form Relates

QBE Insurance (International) Limited

Insurance

Part I Election to Expense Certain Tangible Property (Section 179)

(Note: If you have any listed property, complete Part V before you complete Part I.)

1 Maximum dollar limitation. If an enterprise zone business, see instructions	1	\$19,000.
2 Total cost of Section 179 property placed in service. See instructions	2	23,915.
3 Threshold cost of Section 179 property before reduction in limitation	3	\$200,000.
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0.	4	0.
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0. If married filing separately, see instructions	5	19,000.
6 (a) Description of property	(b) Cost (business use only)	(c) Elected cost
13 Power blackout buster	1,716.	1,716.
See Additional Section 179 Property Statement		17,284.
7 Listed property. Enter amount from line 27	7	
8 Total elected cost of Section 179 property. Add amounts in column (c), lines 6 and 7	8	19,000.
9 Tentative deduction. Enter the smaller of line 5 or line 8	9	19,000.
10 Carryover of disallowed deduction from 1998. See instructions	10	
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	19,000.
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	19,000.
13 Carryover of disallowed deduction to 2000. Add lines 9 and 10, less line 12	13	0.

Note: Do not use Part II or Part III below for listed property (automobiles, certain other vehicles, cellular telephones, certain computers, or property used for entertainment, recreation, or amusement). Instead, use Part V for listed property.

Part II MACRS Depreciation for Assets Placed in Service Only During Your 1999 Tax Year (Do Not Include Listed Property)

Section A – General Asset Account Election

4 If you are making the election under Section 168(f)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check this box. See instructions

Section B – General Depreciation System (GDS) (See instructions)

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only – see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
15a 3-year property						
b 5-year property		4,915.	5	MQ	200DB	246.
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property	06/99	785.	39 yrs	MM	S/L	11.
				MM	S/L	

Section C – Alternative Depreciation System (ADS) (See instructions)

16a Class life				S/L	
b 12-year			12 yrs	S/L	
c 40-year			40 yrs	MM	S/L

Part III Other Depreciation (Do Not Include Listed Property) (See instructions)

17 GDS and ADS deductions for assets placed in service in tax years beginning before 1999	17	14,629.
18 Property subject to Section 168(f)(1) election	18	
19 ACRS and other depreciation	19	553.

Part IV Summary (See instructions)

20 Listed property. Enter amount from line 26	20	4,825.
21 Total. Add deductions on line 12, lines 15 and 16 in column (g), and lines 17 through 20. Enter here and on the appropriate lines of your return. Partnerships and S corporations – see instructions	21	39,264.
22 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to Section 25A costs	22	

Name **QBE Insurance (International) Limited** Employer Identification Number **66-0516613**

1	Taxable income or (loss) before net operating loss deduction	1	1,266,048.
2	Adjustments and preferences:		
a	Depreciation of post-1986 property	2a	514.
b	Amortization of certified pollution control facilities	2b	
c	Amortization of mining exploration and development costs	2c	
d	Amortization of circulation expenditures (personal holding companies only)	2d	
e	Adjusted gain or loss	2e	-10,210.
f	Long-term contracts	2f	
g	Installment sales	2g	
h	Merchant marine capital construction funds	2h	
i	Section 833(b) deduction (Blue Cross, Blue Shield, and similar type organizations only)	2i	
j	Tax shelter farm activities (personal service corporations only)	2j	
k	Passive activities (closely held corporations and personal service corporations only)	2k	
l	Loss limitations	2l	
m	Depletion	2m	
n	Tax-exempt interest from specified private activity bonds	2n	
o	Intangible drilling costs	2o	
p	Accelerated depreciation of real property (pre-1987)	2p	
q	Accelerated depreciation of leased personal property (pre-1987) (personal holding companies only)	2q	
r	Other adjustments	2r	
s	Combine lines 2a through 2r	2s	-9,696.
3	Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 and 2s	3	1,256,352.
4	Adjusted current earnings (ACE) adjustment:		
a	Enter the corporation's ACE from line 10 of the worksheet in the instructions	4a	1,256,352.
b	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see examples in instructions)	4b	0.
c	Multiply line 4b by 75% (.75). Enter the result as a positive amount	4c	0.
d	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments (see instructions). Note: You must enter an amount on line 4d (even if line 4b is positive)	4d	227.
e	ACE adjustment:		
• If you entered a positive number or zero on line 4b, enter the amount from line 4c here as a positive amount.		4e	0.
• If you entered a negative number on line 4b, enter the smaller of line 4c or line 4d here as a negative amount.			
5	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe alternative minimum tax	5	1,256,352.
6	Alternative tax net operating loss deduction (see instructions)	6	110,025.
Alternative minimum taxable income. Subtract line 6 from line 5. If the corporation held a residual interest in a REMIC, see the instructions			
7		7	1,146,327.

BAA For Paperwork Reduction Act Notice, see separate instructions.

Form 4626 (1999)

1 Enter the amount from line 7 (alternative minimum taxable income)	8	1,146,327.
9 Exemption phase-out computation (if line 8 is \$310,000 or more, skip lines 9a and 9b and enter -0 on line 9c):		
a Subtract \$150,000 from line 8 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-	9a	
b Multiply line 9a by 25% (.25)	9b	
c Exemption. Subtract line 9b from \$40,000 (if you are completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-	9c	0.
10 Subtract line 9c from line 8. If zero or less, enter -0-	10	1,146,327.
11 Multiply line 10 by 20% (.20)	11	229,265.
12 Alternative minimum tax foreign tax credit. See instructions	12	
13 Tentative minimum tax. Subtract line 12 from line 11	13	229,265.
14 Regular tax liability before all credits except the foreign tax credit and possessions tax credit	14	424,591.
15 Alternative minimum tax. Subtract line 14 from line 13. Enter the result on the appropriate line of the corporation's income tax return (e.g., Form 1120, Schedule J, line 9). If zero or less, enter -0-	15	0.

Form 4626 (1999)

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OMB No. 1545-0184

Form 4797**Sales of Business Property**(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))

► Attach to your tax return. ► See separate instructions.

1999

27

Department of the Treasury
Internal Revenue Service (99)

Identifying Number

Name(s) Shown on Return
QBE Insurance (International) Limited

66-0516613

1 Enter here the gross proceeds from the sale or exchange of real estate reported to you for 1999 on Form(s) 1099-S (or a substitute statement) that you will be including on line 2, 10, or 20 1

Part II Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions from Other Than Casualty or Theft – Property Held More Than 1 Year

2 (a) Description of property	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (Loss) Subtract (f) from the sum of (d) and (e)
Data Processing Equipment	Various	12/31/99	910	35380	41090	-4800

3 Gain, if any, from Form 4684, line 39	3
4 Section 1231 gain from installment sales from Form 6252, line 26 or 37	4
5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824	5
6 Gain, if any, from line 32, from other than casualty or theft	6
7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows	7
Partnerships (except electing large partnerships). Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 6. Skip lines 8, 9, 11, and 12 below.	-4,800.
S corporations. Report the gain or (loss) following the instructions for Form 1120S, Schedule K, lines 5 and 6. Skip lines 8, 9, 11, and 12 below, unless line 7 is a gain and the S corporation is subject to the capital gains tax.	
All others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on Schedule D and skip lines 8, 9, and 12 below.	
8 Nonrecaptured net section 1231 losses from prior years (see instructions)	8
9 Subtract line 8 from line 7. If zero or less, enter -0-. Also enter on the appropriate line as follows (see instructions)	9
S corporations. Enter any gain from line 9 on Schedule D (Form 1120S), line 14, and skip lines 11 and 12 below.	
All others. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below, and enter the gain from line 9 as a long-term capital gain on Schedule D.	

Part III Ordinary Gains and Losses

10 Ordinary gains and losses not included on lines 11 through 17 (include property held 1 year or less):

11 Loss, if any, from line 7	11	-4,800.
12 Gain, if any, from line 7 or amount from line 8, if applicable	12	
13 Gain, if any, from line 31	13	
14 Net gain or (loss) from Form 4684, lines 31 and 38a	14	
15 Ordinary gain from installment sales from Form 6252, line 25 or 36	15	
16 Ordinary gain or (loss) from like-kind exchanges from Form 8824	16	
17 Recapture of section 179 expense deduction for partners and S corporation shareholders from property dispositions by partnerships and S corporations (see instructions)	17	
18 Combine lines 10 through 17. Enter the gain or (loss) here, and on the appropriate line as follows	18	-4,800.
a For all except individual returns: Enter the gain or (loss) from line 18 on the return being filed.		
b For individual returns:		
(1) If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from Form 4797, line 18b(1). See instructions	18b (1)	
(2) Redetermine the gain or (loss) on line 18, excluding the loss, if any, from line 18b(1) for her Form 1040, line 14	18b (2)	

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Part III Gain from Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

19(a) Description of Section 1245, 1250, 1252, 1254, or 1255 property:

(b) Date acquired
(mo, day, yr)(c) Date sold
(mo, day, yr)

A		
B		
C		
D		

These columns relate to the properties on lines 19A through 19D ►

Property A

Property B

Property C

Property D

20 Gross sales price (Note: See line 1 before completing.)	20			
21 Cost or other basis plus expense of sale	21			
22 Depreciation (or depletion) allowed or allowable	22			
23 Adjusted basis. Subtract line 22 from line 21	23			
24 Total gain. Subtract line 23 from line 20	24			
25 If Section 1245 property:				
a Depreciation allowed or allowable from line 22	25a			
b Enter the smaller of line 24 or 25a	25b			
26 If Section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to Section 291.				
a Additional depreciation after 1975 (see instrs)	26a			
b Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions)	26b			
c Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e	26c			
d Additional depreciation after 1969 & before 1976	26d			
e Enter the smaller of line 26c or 26d	26e			
f Section 291 amount (corporations only)	26f			
g Add lines 26b, 26e, and 26f	26g			
27 If Section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).				
a Soil, water, and land clearing expenses	27a			
b Line 27a multiplied by applicable percentage (see instructions)	27b			
c Enter the smaller of line 24 or 27b	27c			
28 If Section 1254 property:				
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see instrs)	28a			
b Enter the smaller of line 24 or 28a	28b			
29 If Section 1255 property:				
a Applicable percentage of payments excluded from income under Section 125 (see instructions)	29a			
b Enter the smaller of line 24 or 29a (see instrs)	29b			

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30 Total gains for all properties. Add property columns A through D, line 24	30
31 Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31
32 Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6	32

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(See instructions.)

	(a) Section 179	(b) Section 280F(b)(2)
33 Section 179 expense deduction or depreciation allowable in prior years	33	
34 Recomputed depreciation. See instructions	34	
35 Recapture amount. Subtract line 34 from line 33. See instructions for where to report	35	

► Attach to the corporation's tax return.

ame	Employer Identification Number
<u>QBE Insurance (International) Limited</u>	<u>66-0516613</u>
1 Alternative minimum tax (AMT) for 1998. Enter the amount from line 15 of the 1998 Form 4626	1 <u>15,442</u>
2 Minimum tax credit carryforward from 1998. Enter the amount from line 9 of the 1998 Form 8827	2
3 Enter the total of any 1998 unallowed nonconventional source fuel credit and 1998 unallowed qualified electric vehicle credit. See instructions	3
4 Add lines 1, 2, and 3	4 <u>15,442</u>
5 Enter the corporation's 1999 regular income tax liability minus allowable tax credits. See instructions	5 <u>458,277</u>
6 If the corporation is:	
• A 'small corporation' exempt from the AMT for 1999, and line 5 is \$25,000 or less, enter -0-. See instructions.	
• A 'small corporation' exempt from the AMT for 1999, and line 5 is more than \$25,000, enter 25% (.25) of the excess.	
• Not a 'small corporation' exempt from the AMT for 1999, complete Form 4626 for 1999 and enter the tentative minimum tax from line 13	6 <u>249,296</u>
7 Subtract line 6 from line 5. If zero or less, enter -0-	7 <u>208,981</u>
8 Minimum tax credit. Enter the smaller of line 4 or line 7. Also enter this amount on the appropriate line of the corporation's income tax return (e.g., Form 1120, Schedule J, line 4e). If the corporation had a post-1986 ownership change or has pre-acquisition excess credits, see instructions	8 <u>15,442</u>
9 Minimum tax credit carryforward to 2000. Subtract line 8 from line 4. See instructions	9

BAA For Paperwork Reduction Act Notice, see separate instructions.

Form 8827 (1999)

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Form 1120, Page 1, Line 10

Other Income Statement

Foreign exchange gain on investments	290,379.
Sec. 842 investment income	1,730.
Total	292,109.

Form 1120, Page 1, Line 26

Other Deductions Statement

Administrative expenses	179,000.
Commissions	508,770.
Deferred acquisition costs	14,649.
Investment expense	3,997.
Sundries	989,714.
Total	1,696,130.

Form 1120, Page 4, Schedule L, Line 6

Ln 6 Stmt

Other Current Assets:	Beginning of tax year	End of tax year
Accrued investment income	9,938.	66,972.
Prepaid expenses	15,958.	8,359.
Prepaid income tax	94,278.	422,819.
Prepaid withholding tax	5,834.	1,920.
Sundry debtors	873,883.	875,352.
Total	999,891.	1,375,422.

Form 1120, Page 4, Schedule L, Line 9

Ln 9 Stmt

Other Investments:	Beginning of tax year	End of tax year
Investment	6,187,043.	7,861,444.
Total	6,187,043.	7,861,444.

Form 1120, Page 4, Schedule L, Line 14

Ln 14 Stmt

Other Assets:	Beginning of tax year	End of tax year
Deferred acquisition costs	211,722.	207,504.
Deferred commissions	217,610.	201,005.
Total	429,332.	408,509.

Form 1120, Page 4, Schedule L, Line 18
Ln 18 Stmt

Other Current Liabilities:	Beginning of tax year	End of tax year
Accrued expenses	73,617	76,286
Trade creditors	113,442	21,735
Total	187,059	98,021

Form 1120, Page 4, Schedule M-1, Line 4
Ln 4 Stmt

Sec. 842 investment income	1,730
Total	1,730

Form 1120, Page 4, Schedule M-1, Line 5
Ln 5 Stmt

Loss on sale of assets - book over tax	4,808
Unclosed movement	4,420
Total	9,228

Form 1120, Page 4, Schedule M-1, Line 7
Ln 7 Stmt

Unearned premiums	35,634
Total	35,634

Form 4562, line 6
Additional Section 179 Property Statement

(a) Description of property	(b) Cost (bus use only)	(c) Elected cost
14 Matchair 45 x 53	546	546
2 Blackout buster/3 zip pack	406	406
21 Shelving & labor for installation	5,620	5,620
4 CD 24x IDE (OEM)	214	214
7 Case B2-D mini tower AT	294	294
7 CPU PII-350 KAL SECC2 intel	1,537	1,537
7 FAN SECC2 PII fan	102	102
7 HD 6.4GB Fujitsu Eide	1,127	1,127
7 KB Lite-on SK-1100P 105Key PS2 w/wristrest	160	160
7 MB Amptron PII-3748LMT w/Vid/SC/FM/Net	1,025	1,025
7 MEM 64 MB 5-DRAW (PC-100) DIMM	539	539
7 MSE A4tech SWW-5 advanced 3D mouse	96	96
8 Mntr 15" Decaview V260.28DP 1280	1,409	1,409
Network server - IBM	6,078	1,163
PII-350X 64MB NIC	3,046	3,046

Form 4562, line 6

Additional Section 179 Property Statement

(a) Description of property	(b) Cost (bus use only)	(c) Elected cost
Total		<u>17,284.</u>

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Schedule 5

Historical Summary of
Effectively Connected Earnings & Profits and Dividend Equivalent Amounts
Form 1120-F, Page 5, Section III, Part I, Lines 3 and 5

<u>Tax Year/ Period</u>	<u>Current E & P</u>	<u>Accumulated E & P</u>	<u>Dividend Equivalent</u>	<u>Available E & P</u>
12/31/1995	(180,395)	-	-	(180,395)
12/31/1996	(130,641)	(180,395)	-	(311,036)
12/31/1997	(897,802)	(311,036)	-	(1,208,838)
12/31/1998	1,147,234	(1,208,838)	320,342	(381,946)
Total Dividend Equivalent Amounts			<u>320,342</u>	

QBE Insurance (International) Limited
EIN: 66-0516613
December 31, 1999

Schedule 6

Computation of Guam Net Equity Under Reg. §1.884-1
Form 1120-F, Page 5, Section III, Part I, Lines 4a and 4b

	<u>12/31/98</u>	<u>12/31/99</u>
(1) ASSET DETERMINATION:		
Guam Assets	7,877,774	9,912,955
<u>Less: Interbranch Assets</u>	<u>0</u>	<u>0</u>
Guam Connected Assets	7,877,774	9,912,955
(2) LIABILITY DETERMINATION:		
FIXED RATIO	50.000000%	50.000000%
Guam Connected Assets	7,877,774	9,912,955
<u>Guam Connected Liabilities</u>	<u>3,938,887</u>	<u>4,956,478</u>
Reduction in Liabilities		0
<u>Guam Adjusted Liabilities</u>	<u>3,938,887</u>	<u>4,956,478</u>
Guam Net Equity	<u>3,938,887</u>	<u>4,956,477</u>

QBE Insurance (International) Limited

EIN: 66-0516613

December 31, 1999

Schedule 7

Adjustments to Arrive at Effectively Connected Earnings & Profits
Form 1120-F, Page 5, Section III, Part I, Line 2

Loss on sale of fixed assets	\$ (4,808)
Depreciation	(8,073)
Income tax	<u>(409,149)</u>
	<u>\$ (422,030)</u>

Net Operating Loss Summary

NOL Carryover Year	A NOL Carryover Available	B Deduction Allowed in Current Year	C Adjustment Under Section 172(b)(2)	D Remaining Carryover New Law	E Remaining Carryover Old Law
1998					
1997	17,250.	17,250.		0.	0.
1996					
1995					
1994					
1993					
1992					
1991					
1990					
1989					
1988					
1987					
1986					
1985					
1984					
Totals	17,250.	17,250.		0.	0.
Less: Carryover expiring due to 15-year limitation					
Add: Current year net operating loss					
Less: Carryback of current year net operating loss					
Net operating loss carryover to next year					0.

CPCW7601.SCR 10/15/99

AMT Net Operating Loss Summary

Carryover Period	A Adjusted Carryover Amount	B Deduction Allowed in Current Year	C Remaining Carryover New Law	D Remaining Carryover Old Law
1998				
1997	110,025.	110,025.		
1996				
1995				
1994				
1993				
1992				
1991				
1990				
1989				
1988				
1987				
1986				
1985				
1984				
Totals	110,025.	110,025.		
Less: Carryover expiring due to 15-year limitation				
Add: Current year Alternative Minimum Tax net operating loss				
Less: Carryback of current year AMT net operating loss				
Alternative Minimum Tax net operating loss carryover to next year				

CPCW8101.SCR 11/11/99

FILE COPY

Form 4466
(Rev. December 2000)Department of the Treasury
Internal Revenue ServiceCorporation Application for Quick Refund of
Overpayment of Estimated Tax

OMB No. 1545-0170

For calendar year 2000 or tax year beginning 2000 and ending 2000

Name

QBE Insurance (International) Limited

Number, street, and room or suite no. (If a P.O. box, see instructions)

Paraoceana Business Center, Ste. 216, 674 Harmon Loop Road

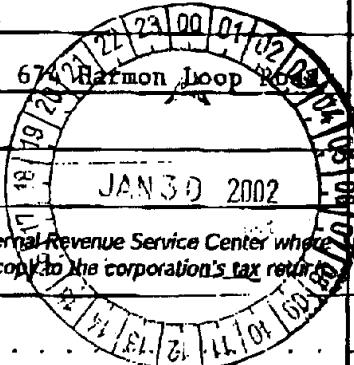
City or town, state, and ZIP code

Dededo, Guam 96929

Telephone number (optional)

(671) 635-2822

Note: Prepare this form in duplicate. File the original with the Internal Revenue Service Center where the corporation files its income tax return. Attach the duplicate copy to the corporation's tax return.

A Employer identification number
66 : 0516613B Check type of return to be filed
(see instructions):

Form 1120
 Form 1120-A
 Form 1120-F
 Form 1120-L
 Form 1120-PC
 Form 990-C
 Other ►

1	Estimated income tax paid during the tax year	\$110,000.00
2	Overpayment of income tax from prior year credited to this year's estimated tax	144,694.00
3	Total. Add lines 1 and 2	254,694.00
4	Enter total tax from Form 1120, Schedule J, line 11, or comparable line from other returns	0.00
5a	Personal holding company tax, if any, included on line 4	0.00
5b	Estimated refundable tax credit for Federal tax on fuels	0.00
6	Total. Add lines 5a and 5b	0.00
7	Expected income tax liability for the tax year. Subtract line 6 from line 4	0.00
8	Overpayment of estimated tax. Subtract line 7 from line 3. If this amount is at least 10% of line 7 and at least \$500, the corporation is eligible for a quick refund. Otherwise, do not file this form (see instructions)	0.00

Record of Estimated Tax Deposits

Date of deposit	Amount	Date of deposit	Amount
4/17/2000	\$110,000.00		
12/15/1999	\$470,000.00		

Sign
Here

Under penalties of perjury, I declare that I have examined this application, including any accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Philip L. Mallia

Signature

1/9/2002

Date

Manager for Micronesia

Title

General Instructions

Section references are to the Internal Revenue Code.

Who May File

Any corporation that overpaid its estimated tax for the tax year may apply for a quick refund if the overpayment is:

- At least 10% of the expected tax liability and
- At least \$500.

The overpayment is the excess of the estimated income tax the corporation paid during the tax year over the final income tax liability expected for the tax year, at the time this application is filed.

If members of an affiliated group paid their estimated income tax on a consolidated basis or expect to file a consolidated return for the tax year, only the common parent corporation may file Form 4466. If members of the group paid estimated income tax

separately, the member who claims the overpayment must file Form 4466.

When To File

File Form 4466 before the 16th day of the 3rd month after the end of the tax year, but before the corporation files its income tax return. Do not file Form 4466 before the end of the corporation's tax year. An extension of time to file the corporation's tax return will not extend the time for filing Form 4466.

EXHIBIT D

GUAM DEPOSITORY RECEIPT

FOR INCOME TAX WITHHELD ON WAGES, 30% WITHHOLDING SEC. 1441 OR CORPORATE ESTIMATED TAX

TRIPPLICATE

Please attach Original Copy to Form W-1, 4277, or 1040

NOTICE TO TAXPAYERS		WRITE IN TAX YEAR	CHECK ONE TAX PERIOD								
FILL IN ALL ITEMS BELOW BEFORE MAKING DEPOSIT SEE INSTRUCTIONS											
<table border="1"> <tr> <td colspan="2">TOTAL TAXES</td> </tr> <tr> <td>DOLLARS</td> <td>CENTS</td> </tr> <tr> <td>470,000.00</td> <td></td> </tr> </table>		TOTAL TAXES		DOLLARS	CENTS	470,000.00		<input type="text" value="1999"/>	<input type="checkbox"/> 1st Qtr. <input type="checkbox"/> 2nd Qtr. <input type="checkbox"/> 3rd Qtr. <input checked="" type="checkbox"/> 4th Qtr. 		
TOTAL TAXES											
DOLLARS	CENTS										
470,000.00											
<table border="1"> <tr> <td colspan="2">EMPLOYER'S IDENTIFICATION NUMBER</td> </tr> <tr> <td colspan="2">66-0516613</td> </tr> </table>		EMPLOYER'S IDENTIFICATION NUMBER		66-0516613		<input type="text" value="Enter amount to be deposited"/>	<input type="text" value="Enter your employer's identification number"/>				
EMPLOYER'S IDENTIFICATION NUMBER											
66-0516613											
<table border="1"> <tr> <td colspan="2">CHECK ONE</td> </tr> <tr> <td><input type="checkbox"/> Income tax withholding on wages</td> <td><input type="checkbox"/> Corporate Estimated Tax</td> </tr> <tr> <td><input type="checkbox"/> 30% Withholding Sec. 1441</td> <td></td> </tr> </table>		CHECK ONE		<input type="checkbox"/> Income tax withholding on wages	<input type="checkbox"/> Corporate Estimated Tax	<input type="checkbox"/> 30% Withholding Sec. 1441					
CHECK ONE											
<input type="checkbox"/> Income tax withholding on wages	<input type="checkbox"/> Corporate Estimated Tax										
<input type="checkbox"/> 30% Withholding Sec. 1441											
<table border="1"> <tr> <td colspan="4">TYPE OR PRINT NAME AND ADDRESS OF EMPLOYER</td> </tr> <tr> <td colspan="4">QBE Insurance (Int'l) Ltd. 674 Harmon Loop Rd. Ste. 216 Dededo, Guam 96912</td> </tr> </table>				TYPE OR PRINT NAME AND ADDRESS OF EMPLOYER				QBE Insurance (Int'l) Ltd. 674 Harmon Loop Rd. Ste. 216 Dededo, Guam 96912			
TYPE OR PRINT NAME AND ADDRESS OF EMPLOYER											
QBE Insurance (Int'l) Ltd. 674 Harmon Loop Rd. Ste. 216 Dededo, Guam 96912											
<p>AFTER YOU RECEIVE THE VALIDATED RECEIPT FROM THE BANK, USE IT IN PAYMENT OF TAXES YOU REPORT ON FORMS W-1, 4277 OR 1120 TO THE DEPUTY COMMISSIONER OF REVENUE AND TAXATION.</p>											

PAI
RECEIPT'S VALIDATED AND DEPOSIT CREDITED IN
ACCOUNT OF TREASURER OF GUAM.
FORM 500 (REV. 3/94)

TEASER OF G
CASHIER

#7

DEC 15 1995
100127 470000

GUAM DEPOSITORY RECEIPT

ORIGINAL

FOR INCOME TAX WITHHELD ON WAGES, 30% WITHHOLDING SEC. 1441 OR CORPORATE ESTIMATED TAX

NOTICE TO TAXPAYERS		WRITE IN TAX YEAR	CHECK ONE TAX PERIOD								
FILL IN ALL ITEMS BELOW BEFORE MAKING DEPOSIT SEE INSTRUCTIONS											
<table border="1"> <tr> <td colspan="2">TOTAL TAXES</td> </tr> <tr> <td>DOLLARS</td> <td>CENTS</td> </tr> <tr> <td>\$110,000.00</td> <td></td> </tr> </table>		TOTAL TAXES		DOLLARS	CENTS	\$110,000.00		<input type="text" value="2000"/>	<input type="checkbox"/> 1st Qtr. <input type="checkbox"/> 2nd Qtr. <input type="checkbox"/> 3rd Qtr. <input type="checkbox"/> 4th Qtr.		
TOTAL TAXES											
DOLLARS	CENTS										
\$110,000.00											
<table border="1"> <tr> <td colspan="2">EMPLOYER'S IDENTIFICATION NUMBER</td> </tr> <tr> <td colspan="2">66-0516613</td> </tr> </table>		EMPLOYER'S IDENTIFICATION NUMBER		66-0516613		<input type="text" value="Enter amount to be deposited"/>	<input type="text" value="Enter your employer's identification number"/>				
EMPLOYER'S IDENTIFICATION NUMBER											
66-0516613											
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CHECK ONE											
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<table border="1"> <tr> <td colspan="4">TYPE OR PRINT NAME AND ADDRESS OF EMPLOYER</td> </tr> <tr> <td colspan="4">QBE INSURANCE (INTERNATIONAL) LIMITED SUITE 216 PARAOCEANA BUSINESS CENTER HARMON LOOP RD. DEDDO, GUAM 96912</td> </tr> </table>				TYPE OR PRINT NAME AND ADDRESS OF EMPLOYER				QBE INSURANCE (INTERNATIONAL) LIMITED SUITE 216 PARAOCEANA BUSINESS CENTER HARMON LOOP RD. DEDDO, GUAM 96912			
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QBE INSURANCE (INTERNATIONAL) LIMITED SUITE 216 PARAOCEANA BUSINESS CENTER HARMON LOOP RD. DEDDO, GUAM 96912											
<p>AFTER YOU RECEIVE THE VALIDATED RECEIPT FROM THE BANK, USE IT IN PAYMENT OF TAXES YOU REPORT ON FORMS W-1, 4277 OR 1120 TO THE DEPUTY COMMISSIONER OF REVENUE AND TAXATION.</p>											

RECEIPT'S VALIDATED AND DEPOSIT CREDITED IN
ACCOUNT OF TREASURER OF GUAM.
FORM 500 (REV. 3/94)

Form 1120-PC

U.S. Property and Casualty Insurance Company
Income Tax Return

OMB No. 1545-1027

2001

Department of the Treasury
Internal Revenue ServiceFor calendar year 2001 or tax year beginning 2001, and ending 20
► Instructions are separate. See page 19 for Paperwork Reduction Act Notice.A Check applicable box if
an election has been
made under section(s):(1) 953(c)(3)(C)(2) 953(d)Please type or print
Name

QBE Insurance (International) Limited

B Employer identification number 66 0516613

Number and street, and room or suite no. (If a P.O. box, see page 6 of instructions)

674 Harmon Loop Road

C Date incorporated

October 1, 1886

City or town, state, and ZIP code

Dededo, Guam 96912

D Check if a consolidated return

(Attach Form 851) E Check if: (1) Final return (2) Name change (3) Address change (4) Amended return

1 Taxable income (Schedule A, line 37)
 2 Taxable investment income for electing small companies (Schedule B, line 21)
 3 Check if a member of a controlled group (see sections 1561 and 1563) ►

Important: Members of a controlled group, see instructions on page 7.

a If the box on line 3 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income
brackets (in that order): (1) \$ (2) \$ (3) \$b Enter the corporation's share of: (1) additional 5% tax (not to exceed \$11,750) \$
 (2) additional 3% tax (not to exceed \$100,000) \$

4 Income tax

5 Enter amount of tax that a reciprocal must include

6 Alternative minimum tax (attach Form 4626)

7 Total. Add lines 4 through 6

8a Foreign tax credit (attach Form 1118)

b Other credits (see page 8 of instructions)

c General business credit. Check box(es) and indicate which forms are
attached:

(1) Form 3800 (2) Form(s) (specify)

d Credit for prior year minimum tax (attach Form 4827)

e Qualified zone academy bond credit (attach Form 8860)

f Total credits. Add lines 8a through 8e

9 Subtract line 8f from line 7

10 Foreign corporations—Tax on income not connected with U.S. business

11 Personal holding company tax (attach Schedule PH (Form 1120))

12 Other taxes. Check if from: (1) Form 4255 (2) Form 8611 (3) Other (attach schedule)

13 Total tax. Add lines 9 through 12

14a 2000 overpayment credited to 2001 254,694

14b

14c

14d 0

b Prior year(s) special estimated tax payments to be applied

c 2001 estimated tax payments (see instructions)

d 2001 special estimated tax payments (Do not include on line 14f)

e 2001 refund applied for on Form 4466

f Enter the total of lines 14a through 14c less line 14e

g Tax deposited with Form 7004

h Credit by reciprocal for tax paid by attorney-in-fact under section 835(d)

i Other credits and payments

15 Estimated tax penalty (see page 9 of instructions). Check if Form 2220 is attached ►

16 Tax due. If line 14j is smaller than the total of lines 13 and 15, enter amount owed

17 Overpayment. If line 14j is larger than the total of lines 13 and 15, enter amount overpaid

18 Enter amount of line 17 you want: Credited to 2002 estimated tax ► \$ 254,694 Refunded ►

1	(490,677)
2	
3	
4	0
5	
6	
7	0
8	
9	0
10	0
11	
12	
13	0
14	
15	
16	
17	254,694
18	

Tax Computation and Payments

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer

Date

Title

May the IRS discuss this return
with the preparer shown below
(see instructions)? Yes NoPaid
Preparer's
Use OnlyPreparer's
signature

John Magliari - Rmiz

Date

7-25-02

Check if
self-employed 586-84-6486Firm's name for
yours if self-employed
address, and ZIP code

EIN 66 0572328

J. Scott Magliari & Co. P.O. Box 12734, Tamuning, GU 96931

Phone no. (671) 472-2680

Cat. No. 64270Q

Form 1120-PC (2001)

EXHIBIT E

Schedule A Taxable Income—Section 832 (See page 9 of instructions.)

1 Premiums earned (Schedule E, line 7)	1	2,575,472
2 Dividends (Schedule C, line 14)	2	
3a Gross interest	(a) Interest received	(b) Amortization of premium
	512,636	
b Interest exempt under section 103		
	512,636	
c Subtract line 3b from line 3a	3d	512,636
d Taxable interest. Subtract line 3c, column (b) from line 3c, column (a)	4	
4 Gross rents	5	
5 Gross royalties	6	
6 Capital gain net income (attach Schedule D (Form 1120))	7	1,590
7 Net gain or (loss) (Form 4797, Part II, line 18 (attach Form 4797))	8	
8 Certain mutual fire or flood insurance company premiums (section 832(b)(1)(D))	9	
9 Income on account of special income and deduction accounts	10	
10 Income from protection against loss account (see instructions)	11	
11 Mutual interinsurers or reciprocal underwriters—decrease in subscriber accounts	12	
12 Income from a special loss discount account (attach Form 8816)	13	443,308
13 Other income (attach schedule)	14	3,533,006
14 Gross income. Add lines 1 through 13	15	
15 Compensation of officers (attach schedule) (see page 10 of instructions)	16	693,337
16 Salaries and wages (less employment credits)	17	
17 Agency balances and bills receivable that became worthless during the tax year	18	
18 Rents	19	
19 Taxes and licenses	20c	
20a Interest ► b Less tax-exempt interest exp. ► c Bal. ►	21	
21 Charitable contributions (see page 12 of instructions for 10% limitation)	22	21,473
22 Depreciation (attach Form 4562)	23	
23 Depletion	24	
24 Pension, profit-sharing, etc., plans	25	
25 Employee benefit programs	26	850,852
26 Losses incurred (Schedule F, line 14)	27	
27 Additional deduction (attach Form 8816)	28	
28 Other capital losses (Schedule G, line 12, column (g))	29	
29 Dividends to policyholders	30	
30 Mutual interinsurers or reciprocal underwriters—increase in subscriber accounts	31	2,458,021
31 Other deductions (see page 13 of instructions) (attach schedule)	32	4,023,683
32 Total deductions. Add lines 15 through 31	33	(490,677)
33 Subtotal. Subtract line 32 from line 14	34a	
34a Special deduction for section 833 organizations (Schedule H, line 6)	34b	
b Deduction on account of special income and deduction accounts	34c	
c Total. Add lines 34a and 34b	35	
35 Subtotal. Subtract line 34c from line 33	36a	
36a Dividends-received deduction (Schedule C, line 25)	36b	
b Net operating loss deduction	36c	
c Total. Add lines 36a and 36b	37	(490,677)
37 Taxable income (subtract line 36c from line 35). Enter here and on page 1, line 1		

Schedule B Part I—Taxable Investment Income of Electing Small Companies—Section 834 (See page 14 of instructions.)

	(a) Interest received	(b) Amortization of premium	
Income			
1a Gross interest			
b Interest exempt under section 103			
c Subtract line 1b from line 1a			
d Taxable interest. Subtract line 1c, column (b) from line 1c, column (a)			1d
2 Dividends (Schedule C, line 14)			2
3 Gross rents			3
4 Gross royalties			4
5 Gross income from a trade or business, other than an insurance business, and from Form 4797			5
6 Income from leases described in sections 834(b)(1)(B) and 834(b)(1)(C)			6
7 Gain from Schedule D (Form 1120), line 14			7
8 Gross investment income. Add lines 1d through 7			8
Deductions			
9 Real estate taxes			9
10 Other real estate expenses			10
11 Depreciation (attach Form 4562)			11
12 Depletion			12
13 Trade or business deductions as provided in section 834(c)(8) (attach schedule)			13
14 Interest			14
15 Other capital losses (Schedule G, line 12, column (g))			15
16 Total. Add lines 9 through 15.			16
17 Investment expenses (attach schedule).			17
18 Total deductions. Add lines 16 and 17.			18
19 Subtract line 18 from line 8			19
20 Dividends-received deduction (Schedule C, line 25)			20
21 Taxable investment income. Subtract line 20 from line 19. Enter here and on page 1, line 2			21

Part II—Invested Assets Book Values

(Complete only if claiming a deduction for general expenses allocated to investment income.)

	(a) Beginning of tax year	(b) End of tax year
22 Real estate	22	
23 Mortgage loans	23	
24 Collateral loans	24	
25 Policy loans, including premium notes	25	
26 Bonds of domestic corporations	26	
27 Stock of domestic corporations	27	
28 Government obligations, etc.	28	
29 Bank deposits bearing interest	29	
30 Other interest-bearing assets (attach schedule)	30	
31 Total. Add lines 22 through 30.	31	
32 Add columns (a) and (b), line 31		32
33 Mean of invested assets for the tax year. Enter one-half of line 32		33
34 Multiply line 33 by .0025		34
35 Income base. Line 1b, column (a) plus line 8 less the sum of line 1b, column (b) and line 16	35	
36 Multiply line 33 by .0375	36	
37 Subtract line 36 from line 35. Do not enter less than zero	37	
38 Multiply line 37 by .25		38
39 Limitation on deduction for investment expenses. Add lines 34 and 38.		39

Schedule C Dividends and Special Deductions (See page 15 of instructions.)		Dividends-Received	
		(a) Subject to section 832(b)(5)(B)	(b) Total dividends- received
Income			
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	1	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)	2	
3	Dividends on debt-financed stock of domestic and foreign corporations	3	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	4	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities.	5	
6	Dividends on stock of certain less-than-20%-owned foreign corporations and certain FSCs.	6	
7	Dividends on stock of certain 20%-or-more-owned foreign corporations and certain FSCs.	7	
8	Dividends on stock of wholly owned foreign subsidiaries and FSCs	8	
9	Dividends from affiliated companies	9	
10	Other dividends from foreign corporations not included on lines 6, 7, and 8.	10	
11	Income from controlled foreign corporations under subpart F (attach Forms 5471)	11	
12	Foreign dividend gross-up (section 78)	12	
13	Other dividends (attach schedule)	13	
14	Total dividends. Add lines 1 through 13. Enter here and on Schedule A, line 2, or Schedule B, line 2, whichever applies	14	
Dividends-Received Deduction			
		(a) Subject to section 832(b)(5)(B)	(b) Total dividends- received deduction
15	Multiply line 1 by 70%	15	
16	Multiply line 2 by 80%	16	
17	Deduction for line 3 (see page 16 of instructions)	17	
18	Multiply line 4 by 42%	18	
19	Multiply line 5 by 48%	19	
20	Multiply line 6 by 70%	20	
21	Multiply line 7 by 80%	21	
22	Enter the amount from line 8.	22	
23	Total. Add lines 15 through 22. (See page 16 of instructions for limitation.)	23	
24	Total. Add line 23, column (a), and line 9, column (a). Enter here and on Schedule F, line 10	24	
25	Total deductions. Add line 23, column (b), and line 9, column (b). Enter here and on Schedule A, line 36a, or Schedule B, line 20, whichever applies	25	

Schedule E Premiums Earned—Section 832 (See page 16 of instructions.)

1	Net premiums written	1	2,799,195
2	Unearned premiums on outstanding business at the end of the preceding tax year:		
a	Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and all unearned premiums of section 833 organizations	2a	
b	Enter 90% of unearned premiums attributable to insuring certain securities	2b	
c	Discounted unearned premiums attributable to title insurance	2c	
d	Enter 80% of all other unearned premiums.	2d	1,173,411
e	Total. Add lines 2a through 2d	2e	1,173,411
3	Total. Add lines 1 and 2e	3	3,972,606
4	Unearned premiums on outstanding business at the end of the current tax year:		
a	Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and all unearned premiums of section 833 organizations	4a	
b	Enter 90% of unearned premiums attributable to insuring certain securities	4b	
c	Discounted unearned premiums attributable to title insurance	4c	
d	Enter 80% of all other unearned premiums.	4d	1,397,134
e	Total. Add lines 4a through 4d	4e	1,397,134
5	Subtract line 4e from line 3	5	2,575,472
6	Transitional adjustments under section 832(b)(7)(D). (See page 17 of instructions.)	6	
7	Premiums earned. Add lines 5 and 6. Enter here and on Schedule A, line 1.	7	2,575,472

Schedule F Losses Incurred—Section 832 (See page 17 of instructions.)

1	Losses paid during the tax year (attach schedule).	1	1,667,343
2	Balance outstanding at the end of the current tax year for:		
a	Unpaid losses on life insurance contracts	2a	
b	Discounted unpaid losses	2b	730,003
c	Total. Add lines 2a and 2b	2c	730,003
3	Add lines 1 and 2c	3	2,397,346
4	Balance outstanding at the end of the preceding tax year for:		
a	Unpaid losses on life insurance contracts	4a	
b	Discounted unpaid losses	4b	1,546,494
c	Total. Add lines 4a and 4b	4c	1,546,494
5	Subtract line 4c from line 3	5	850,852
6	Estimated salvage and reinsurance recoverable at the end of the preceding tax year	6	
7	Estimated salvage and reinsurance recoverable at the end of the current tax year	7	
8	Losses incurred (line 5 plus line 6 less line 7)	8	850,852
9	Tax-exempt interest subject to section 832(b)(5)(B)	9	
10	Dividends-received deduction subject to section 832(b)(5)(B) (Schedule C, line 24)	10	
11	The increase in policy cash value of section 264(f) policies as defined in section 805(a)(4)(F)	11	
12	Total. Add lines 9, 10, and 11.	12	0
13	Reduction of deduction under section 832(b)(5)(B). Multiply line 12 by .15	13	0
14	Losses incurred deductible under section 832(c)(4). Subtract line 13 from line 8. Enter here and on Schedule A, line 26.	14	850,852

Schedule G Other Capital Losses (See page 17 of instructions.)
(Capital assets sold or exchanged to meet abnormal insurance losses and to pay dividends and similar distributions to policyholders.)

1	Dividends and similar distributions paid to policyholders	1				
2	Losses paid	2				
3	Expenses paid	3				
4	Total. Add lines 1, 2, and 3	4				
Note. Adjust lines 5 through 8 to cash method if necessary.						
5	Interest received	5				
6	Dividends-received (Schedule C, line 14)	6				
7	Gross rents, gross royalties, lease income, etc., and gross income from a trade or business other than an insurance business including income from Form 4797 (include gains for invested assets only)	7				
8	Net premiums received	8				
9	Total. Add lines 5 through 8	9				
10	Limitation on gross receipts from sales of capital assets. Line 4 less line 9. If zero or less, enter -0-	10				
(a) Description of capital asset	(b) Date acquired	(c) Gross sales price	(d) Cost or other basis	(e) Expense of sale	(f) Depreciation allowed (or allowable)	(g) Loss ((d) plus (e) less the sum of (c) and (f))
11						
12	Totals—column (c) must not be more than line 10. (Enter amount from column (g) in Schedule A, line 28, or Schedule B, line 15, whichever applies)					

Schedule H Special Deduction And Ending Adjusted Surplus for Section 833 Organizations
(See page 18 of instructions.)

1	Health care claims incurred during the tax year and liabilities incurred during the tax year under cost-plus contracts	1	
2	Expenses incurred during the tax year in connection with the administration, adjustment, or settlement of health care claims or in connection with the administration of cost-plus contracts	2	
3	Total. Add lines 1 and 2	3	
4	Multiply line 3 by .25	4	
5	Beginning adjusted surplus	5	
6	Special deduction. Subtract line 5 from line 4. If zero or less, enter -0-. Enter here and on Schedule A, line 34a. (See page 18 of instructions for limitation)	6	
7	Net operating loss deduction (Schedule A, line 36b)	7	
8	Net exempt income:		
a	Adjusted tax-exempt income	8a	
b	Adjusted dividends-received deduction	8b	
9	Taxable income (Schedule A, line 37)	9	
10	Ending adjusted surplus. Add lines 5 through 9	10	

Schedule I Other Information (See page 18 of instructions.)

	Yes	No		Yes	No
1 Check method of accounting:			c The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ►		
a <input type="checkbox"/> Cash					
b <input checked="" type="checkbox"/> Accrual					
c <input type="checkbox"/> Other (specify) ►					
2 Check box for kind of company:					
a <input type="checkbox"/> Mutual					
b <input checked="" type="checkbox"/> Stock					
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)	X				
If "Yes," attach a schedule showing:					
(a) name and Employer identification number (EIN);					
(b) percentage owned; and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.					
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?	X				
If "Yes," enter name and EIN of the parent corporation ►					
5 At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)	X				
If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.)					
Enter percentage owned ►					
6 At anytime during the tax year, did one foreign person own, directly or indirectly, at least 25% of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation? If "Yes," enter:	X				
a Percentage owned ► and b Owner's country ►					
If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3)(i) or (ii) must be attached or the election will not be valid.					
12 Enter the available NOL carryover from prior tax years. (Do not reduce it by any deduction on line 36b, Schedule A.) ► \$					

Note. If the corporation had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Form 1120-PC (2001)

Schedule L Balance Sheets per Books (All filers are required to complete this schedule.)

Assets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
1 Cash		136,750		280,973
2a Trade notes and accounts receivable	789,558		1,155,079	
b Less allowance for bad debts	()	789,558	()	1,155,079
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities (see page 19 of instructions)				
6 Other current assets (attach schedule)		331,131		328,346
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	247,269		273,044	
b Less accumulated depreciation	(205,231)	42,038	(245,856)	27,188
11a Depletable assets	()	()	()	
b Less accumulated depletion	()	()	()	
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)	()	()	()	
b Less accumulated amortization				
14 Other assets (attach schedule)		707,116		392,701
15 Total assets		9,344,282		9,920,687
Liabilities and Shareholders' Equity				
16 Accounts payable		133,403		223,374
17 Mortgages, notes, bonds payable in less than 1 year				
18 Insurance liabilities (See page 19 of instructions)		2,818,997		2,476,420
19 Other current liabilities (attach schedule)		285,531		293,630
20 Loans from shareholders				
21 Mortgages, notes, bonds payable in 1 year or more				
22 Other liabilities (attach schedule)				
23 Capital stock: a Preferred stock				
b Common stock				
24 Head Office Account		6,115,104		8,271,419
25 Retained earnings—Appropriated (attach schedule)		(8,753)		(1,344,156)
26 Retained earnings—Unappropriated				
27 Adjustments to shareholders' equity (attach schedule)		()		()
28 Less cost of treasury stock		9,344,282		9,920,687
29 Total liabilities and shareholders' equity				

Schedule M-1 Reconciliation of Income (Loss) per Books with Income per Return (See page 19 of instructions.)

(The corporation is not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d), of Schedule L are less than \$25,000.)

1 Net income (loss) per books	(1,335,403)	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax per books	0	a Tax-exempt interest \$	
3 Excess of capital losses over capital gains	
4 Income subject to tax not recorded on books this year (itemize) section .842. Income	330,060	8 Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		a Depreciation \$.329	
a Depreciation \$.593		b Charitable contributions \$	
b Charitable contributions \$.328		
c Travel and entertainment \$ 3,049		9 Add lines 7 and 8	329
Schedule 6 511,025	514,995	10 Income (Schedule A, line 35)—subtract line 9 from line 6	(490,677)
6 Add lines 1 through 5	(490,348)		

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (line 26, Schedule L)

1 Balance at beginning of year	(8,753)	5 Distributions: a Cash	
2 Net income (loss) per books	(1,335,403)	b Stock	
3 Other increases (itemize)		c Property	
4 Add lines 1, 2, and 3	(1,344,156)	6 Other decreases (itemize)	0
		7 Add lines 5 and 6	
		8 Balance at end of year (subtract line 7 from line 4)	(1,344,156)

QBE INSURANCE (INT'L) LIMITED

Business or activity to which this form relates

FORM 1120

Identifying number

66-0516613

Part I Election To Expense Certain Tangible Property Under Section 179

Note: If you have any "listed property," complete Part V before you complete Part I.

1	Maximum dollar limitation. If an enterprise zone business, see page 2 of the instructions	1	\$24,000
2	Total cost of section 179 property placed in service (see page 2 of the instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	\$200,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see page 2 of the instructions	5	
	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
6			
7	Listed property. Enter amount from line 27	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from 2000 (see page 3 of the instructions)	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2002. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property (automobiles, certain other vehicles, cellular telephones, certain computers, or property used for entertainment, recreation, or amusement). Instead, use Part V for listed property.

Part II MACRS Depreciation for Assets Placed in Service Only During Your 2001 Tax Year (Do not include listed property.)

Section A - General Asset Account Election

14 If you are making the election under section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check this box. See page 3 of the instructions

Section B - General Depreciation System (GDS) (See page 3 of the instructions.)

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only-see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
15a 3-year property						
b 5-year property		3,275	5	HY	200 DB	655
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			27.5 yrs.	MM	S/L	
			39 yrs.	MM	S/L	
				MM	S/L	

Section C - Alternative Depreciation System (ADS) (See page 5 of the instructions.)

16a Class life				S/L	
b 12-year			12 yrs.	S/L	
c 40-year			40 yrs.	MM	S/L

Part III Other Depreciation (Do not include listed property.) (See instructions beginning on page 5.)

17 GDS and ADS deductions for assets placed in service in tax years beginning before 2001	17	13,240
18 Property subject to section 168(f)(1) election	18	
19 ACRS and other depreciation	19	1,566

Part IV Summary (See page 6 of the instructions.)

20 Listed property. Enter amount from line 26	20	6,012
21 Total. Add deductions from line 12, lines 15 and 16 in column (g), and lines 17 through 20. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions	21	21,473
22 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	22	

For Paperwork Reduction Act Notice, see the separate instructions.

EEA

Form 4562 (2001)

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 23a, 23b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See page 7 of the instructions for limits for passenger automobiles.)

23a Do you have evidence to support the business/investment use claimed?					Yes	No	23b If "Yes," is the evidence written?			Yes	No
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost			

24 Property used more than 50% in a qualified business use (see page 6 of the instructions):

96 SUBARU	09121996	100 %	21,949	21,949	5	200DBHY	1,775	
MITSUBISHI	07011997	100 %	27,995	27,995	5	200DBMQ	1,775	
TOYOTA CAM	10081997	100 %	22,500	22,500	5	200DBMQ	2,462	

25 Property used 50% or less in a qualified business use (see page 6 of the instructions):

	%			S/L-			
	%			S/L-			
	%			S/L-			

26 Add amounts in column (h). Enter the total here and on line 20, page 1 26 6,012

27 Add amounts in column (i). Enter the total here and on line 7, page 1 27

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person.

If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

28 Total business/investment miles driven during the year (do not include commuting miles - see page 2 of the instructions)	(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6						
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
29 Total commuting miles driven during the year												
30 Total other personal (noncommuting) miles driven												
31 Total miles driven during the year. Add lines 28 through 30												
32 Was the vehicle available for personal use during off-duty hours?												
33 Was the vehicle used primarily by a more than 5% owner or related person?												
34 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see page 8 of the instructions).

35 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
36 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See page 8 of the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
37 Do you treat all use of vehicles by employees as personal use?		
38 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
39 Do you meet the requirements concerning qualified automobile demonstration use? (See page 8 of the instructions.)		

Note: If your answer to 35, 36, 37, 38, or 39 is "Yes," do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
40 Amortization of costs that begins during your 2001 tax year (see instructions beginning on page 8):					
41 Amortization of costs that began before your 2001 tax year				41	329
42 Total. Add amounts in column (f). See page 9 of the instructions for where to report				42	329

Name(s) shown on return

QBE INSURANCE (INT'L) LIMITED

Identifying number

66-0516613

1 Enter the gross proceeds from sales or exchanges reported to you for 2001 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) 1

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft -- Most Property Held More Than 1 Year (See instructions.)

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements & expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
2	1	1				
	1	1				
	1	1				
	1	1				
3 Gain, if any, from Form 4684, line 39					3	
4 Section 1231 gain from installment sales from Form 6252, line 26 or 37					4	
5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824					5	
6 Gain, if any, from line 32, from other than casualty or theft					6	
7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:					7	
Partnerships (except electing large partnerships). Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 6. Skip lines 8, 9, 11, and 12 below.					8	
S corporations. Report the gain or (loss) following the instructions for Form 1120S, Schedule K, lines 5 and 6. Skip lines 8, 9, 11, and 12 below, unless line 7 is a gain and the S corporation is subject to the capital gains tax.					9	
All others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on Schedule D and skip lines 8, 9, 11, and 12 below.						
8 Nonrecaptured net section 1231 losses from prior years (see instructions)						
9 Subtract line 8 from line 7. If zero or less, enter -0-. Also enter on the appropriate line as follows (see instructions):						
S corporations. Enter any gain from line 9 on Schedule D (Form 1120S), line 15, and skip lines 11 and 12 below.						
All others. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below, and enter the gain from line 9 as a long-term capital gain on Schedule D.						

Part II Ordinary Gains and Losses

10 Ordinary gains and losses not included on lines 11 through 17 (include property held 1 year or less):

2001 DISPOSALS	1	1	1,590	1,590	1,590	1,590
11 Loss, if any, from line 7					11	()
12 Gain, if any, from line 7 or amount from line 8, if applicable					12	
13 Gain, if any, from line 31					13	
14 Net gain or (loss) from Form 4684, lines 31 and 38a					14	
15 Ordinary gain from installment sales from Form 6252, line 25 or 36					15	
16 Ordinary gain or (loss) from like-kind exchanges from Form 8824					16	
17 Recapture of section 179 expense deduction for partners and S corporation shareholders from property dispositions by partnerships and S corporations (see instructions)					17	
18 Combine lines 10 through 17. Enter the gain or (loss) here and on the appropriate line as follows:					18	1,590
a For all except individual returns. Enter the gain or (loss) from line 18 on the return being filed.						
b For individual returns:						
(1) If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from "Form 4797, line 18b(1)." See instructions					18b(1)	
(2) Redetermine the gain or (loss) on line 18 excluding the loss, if any, on line 18b(1). Enter here and on Form 1040, line 14					18b(2)	

For Paperwork Reduction Act Notice, see page 7 of the instructions.

EEA

Form 4797 (2001)

Q Insurance (International) Limited

EIN: 66-0516613

December 31, 2001

Schedule #1

Form 1120-PC, Page 2, Schedule A, Line 13

Other Income Statement

Section 842 Investment Income	330,060
Sundry Income	<u>113,248</u>
 Total	 <u>443,308</u>

Form 1120-PC, Page 2, Schedule A, Line 31

Other Deductions Statement

Amortization	329
Commissions	673,558
Deferred acquisition cost	104,947
Administrative expense	180,000
50% entertainment	3,049
Sundries	930,929
Investment expense	<u>565,209</u>
	 <u>2,458,021</u>

BE Insurance (International) Limited

EIN: 66-0516613

December 31, 2001

Schedule #2

Form 1120-PC, Page 8, Schedule L, Line 6

Other Current Assets Statement

	<u>Beginning Balance</u>	<u>Ending Balance</u>
Accrued investment income	47,588	48,657
Prepaid expenses	14,865	11,004
Prepaid income tax	254,694	254,694
Sundry debtors	<u>13,984</u>	<u>13,991</u>
	<u>331,131</u>	<u>328,346</u>

Form 1120-PC, Page 8, Schedule L, Line 9

Other Investments Statement

	<u>Beginning Balance</u>	<u>Ending Balance</u>
Investment	<u>7,337,689</u>	<u>7,736,400</u>
	<u>7,337,689</u>	<u>7,736,400</u>

Form 1120-PC, Page 8, Schedule L, Line 14

Other Assets Statement

	<u>Beginning Balance</u>	<u>Ending Balance</u>
Deferred commissions	<u>707,116</u>	<u>392,701</u>
	<u>707,116</u>	<u>392,701</u>

Form 1120-PC, Page 8, Schedule L, Line 19

Other Current Liabilities Statement

	<u>Beginning Balance</u>	<u>Ending Balance</u>
Accrued expenses	85,659	29,239
Provision for doubtful debts	124,315	212,023
Provision for holiday pay	21,535	6,637
Due from other creditors	<u>54,022</u>	<u>45,731</u>
	<u>285,531</u>	<u>293,630</u>

CE Insurance (International) Limited
EIN: 66-0516613
December 31, 2001

Schedule 3

Computation of Guam Net Equity Under Reg. Sec. 1.884-1
Form 1120-F, Page 5, Section III, Part I, Lines 4a and 4b

	<u>12/31/2000</u>	<u>12/31/2001</u>
(1) Asset Determination		
Guam Assets	9,344,282	9,920,687
<u>Less: Interbranch Assets</u>	<u>0</u>	<u>0</u>
Guam Connected Assets	9,344,282	9,920,687
(2) Liability Determination:		
Fixed Ratio	50.00%	50.00%
Guam Connected Assets	9,344,282	9,920,687
<u>Guam Connected Liabilities</u>	<u>4,672,141</u>	<u>4,960,344</u>
Reduction in Liabilities	<u>0</u>	<u>0</u>
Guam Adjusted Liabilities	4,672,141	4,960,343
(3) Guam Net Equity	4,672,141	4,960,344

Form 1120-F (2001)

SECTION III—Branch Profits Tax and Tax on Excess Interest

Part I—Branch Profits Tax (See page 19 of instructions.)

- 1 Enter the amount from Section II, line 29
- 2 Enter total adjustments to line 1 made to get effectively connected earnings and profits. (Attach a schedule showing the nature and amount of adjustments.) (See instructions.) Schedule #5
- 3 Effectively connected earnings and profits. Combine line 1 and line 2. Enter the result here
- 4a Enter U.S. net equity at the end of the current tax year. (Attach schedule.) Schedule #3
- b Enter U.S. net equity at the end of the prior tax year. (Attach schedule.) Schedule #3
- c Increase in U.S. net equity. If line 4a is greater than or equal to line 4b, subtract line 4b from line 4a. Enter the result here and skip to line 4e
- d Decrease in U.S. net equity. If line 4b is greater than line 4a, subtract line 4a from line 4b. Enter the result here
- e Non-previously taxed accumulated effectively connected earnings and profits. Enter excess, if any, of effectively connected earnings and profits for preceding tax years beginning after 1986 over any dividend equivalent amounts for those tax years
- 5 Dividend equivalent amount. Subtract line 4c from line 3. Enter the result here. If zero or less, enter -0-. If no amount is entered on line 4c, add the lesser of line 4d or line 4e to line 3 and enter the total here
- 6 **Branch profits tax.** Multiply line 5 by 30% (or lower treaty rate if the corporation is a qualified resident or otherwise qualifies for treaty benefits). Enter here and include on line 3, page 1. (See instructions.) Also complete items W and X below

1	(490,677)	
2	(3,642)	
3	(494,319)	
4a	4,960,344	
4b	4,672,141	
4c	288,203	
4d		
4e		
5	0	
6	0	

Part II—Tax on Excess Interest (See page 20 of instructions.)

7a Enter the interest from Section II, line 18

b Enter the interest apportioned to the effectively connected income of the foreign corporation that is capitalized or otherwise nondeductible.

c Add lines 7a and 7b

8 Enter the branch interest (including capitalized and other nondeductible interest). (See instructions for definition.) If the interest paid by the foreign corporation's U.S. trade or business was increased because 80% or more of the foreign corporation's assets are U.S. assets, check this box ►

9a Excess interest. Subtract line 8 from line 7c. If zero or less, enter -0-.

b If the foreign corporation is a bank, enter the excess interest treated as interest on deposits. Otherwise, enter -0-. (See instructions.).

c Subtract line 9b from line 9a

10 Tax on excess interest. Multiply line 9c by 30% or lower treaty rate (if the corporation is a qualified resident or otherwise qualifies for treaty benefits). (See instructions.) Enter here and include on line 3, page 1. Also complete Items W and X below

7a	
7b	
7c	
8	
9a	
9b	
9c	
10	

Additional Information Required (continued from page 2)

V Is the corporation claiming a reduction in, or exemption from, the branch profits tax due to:

- (1) A complete termination of all U.S. trades or businesses?
- (2) The tax-free liquidation or reorganization of a foreign corporation?
- (3) The tax-free incorporation of a U.S. trade or business?

If (1) applies or (2) applies and the transferee is domestic, attach Form 8848. If (3) applies, attach the statement required by Regulations section 1.884-2T(d)(5).

If (1) applies or (2) applies and the transferee is domestic, attach Form 8848. If (3) applies, attach the statement required by Regulations section 1.884-2T(d)(5).

W Is the corporation taking a position on this return that a U.S. tax treaty overrules or modifies an Internal Revenue law of the United States thereby causing a reduction of tax?

If "Yes," complete and attach Form 8833.

Note: Failure to disclose a treaty-based return position may result in a \$10,000 penalty (see section 6712).

- X If the corporation is claiming it is a qualified resident of its country of residence for purposes of computing its branch profits tax and excess interest tax, check the basis for that claim:
 - Stock ownership and base erosion test
 - Publicly traded test
 - Active trade or business test
 - Private letter ruling

Y During the tax year, did the corporation own any foreign entities that were disregarded as entities separate from their owners under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," attach a statement listing the name, country under whose laws the entity was organized, and EIN (if any) of each entity.

Z During the tax year, did the corporation own at least a 10% interest, directly or indirectly, in any foreign partnership? If "Yes," see page 20 of instructions for required attachment.

Yes	No
	X

Q Insurance (International) Limited
EIN: 66-0516613
December 31, 2001

Schedule 5

Adjustments made to get Effectively Connected Earnings and Profits
Form 1120-F, Page 5, Section III, Part I, Line 2

Depreciation	(264)
Non-deductible contributions	(329)
Non-deductible entertainment	<u>(3,049)</u>
	<u>(3,642)</u>

Q Insurance (International) Limited

EIN: 66-0516613

December 31, 2001

Schedule #6

Form 1120-PC, Page 8, Schedule M-1, Line 5c

Expenses recorded on books this year not deducted on this return

Unearned premiums	441,027
Unpaid losses	<u>69,998</u>
Total	<u>511,025</u>

Depreciation Detail Listing

FORM 1120 - 1

For your records only

2001

PAGE 1

Name(s) as shown on return

QBE INSURANCE (INT'L) LIMITED

No.	Description	Date	Cost	Salvage	Business percentage	Section 179	Depreciation Basis	Life	Method	Rate	Current depr.	Accumulated Depreciation	Prior expense	AMT Method	AMT Life	AMT Current	Social security number/IN	
																	66-0516613	
1	DIGITAL CAMERA	08211998	1,887		100.00		1,887	5	200 DB HY	11.52	217	1,504		150 DB HY	5	314		
2	CELERON	12111998	1,003		100.00		1,003	5	200 DB HY	11.52	116	740		150 DB HY	5	167		
3	CELERON/32MB	12181998	520		100.00		520	5	200 DB HY	11.52	60	384		150 DB HY	5	87		
4	SONY STEREO SET	02251995	480		100.00		480	5		150	0	480				5		
5	IBM TYPEWRITER	07061995	150		100.00		150	5		1,272	0	1,272				5		
6	ACCPAC SOFTWARE	03171995	1,272		100.00		1,272	5		3,757	0	3,757				5		
7	HP LASERJET	05101995	3,757		100.00		3,757	5		335	0	335				5		
8	RG-58 BELDON CABLE	05101995	335		100.00		335	5		720	0	720				5		
9	HP DUPLEXING ASSEMBLY	06091995	720		100.00		720	5		1,705	0	1,704				5		
10	INST. NETWORK SERVER	06291995	1,705		100.00		1,705	5		2,150	0	2,150				5		
11	HP LASERJET	06291995	1,695		100.00		1,695	5		695	0	695				5		
12	SOFTWARE - NOVELL	07061995	2,150		100.00		2,150	5		330	0	330				5		
13	DIRECT ACCESS MENUUG	07061995	695		100.00		695	5		2,825	0	2,825				5		
14	CLARION DEV SYSTEM	07061995	330		100.00		330	5		195	0	195				5		
15	2 GENICOM, 1HPI I	07061995	2,825		100.00		2,825	5		1,775	0	1,775				5		
16	ACCPAC WINDOWS	07181995	195		100.00		195	5		225	0	225				5		
17	RECORDER	08211996	110		100.00		110	5		309	0	309				5		
18	ARIA INTEL PENTIUM	08211997	1,775		100.00		1,775	5		5,200	0	5,200				5		
19	100 MB ZIP DRIVE	09041997	225		100.00		225	5		640	0	640				5		
20	LASERJET	10171997	309		100.00		309	5		9,470	0	9,470				5		
21	DISHWASHER, WATER HEA	07181995	5,200		100.00		5,200	7		4,887	0	4,887				5		
22	TELEPHONE LINES	05171995	640		100.00		640	7		4,366	0	4,366				5		
23	OFFICE DESKS/TABLES	06161995	9,470		100.00		9,470	7		1,758	0	1,758				5		
24	OFFICE DESKS/TABLES	06261995	4,887		100.00		4,887	7		615	0	615				5		
25	VERTICAL BLINDS	07111995	1,758		100.00		1,758	7		3,310	0	3,310				5		
26	SIGNAGE	07031995	615		100.00		615	7		3,950	0	3,950				5		
27	SIGNAGE	07181995	3,310		100.00		3,310	7		160	0	160				5		
28	SIGNAGE	06081995	3,950		100.00		3,950	7		2,222	0	2,222				5		
29	QBE BANNER	06081995	160		100.00		160	7		2,222	0	2,222				5		
30	SECURITY SYSTEM	07181995	2,222		100.00		2,222	7		198	0	198				5		

Depreciation Detail Listing

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Name(s) as shown on return

QBE INSURANCE (INT'L) LIMITED

No.	Description	Date	Cost	Salvage	Business percentage	Section 179	Depreciation Basis	Life	Method	Rate	Current depr.	Accumulated Depreciation	Prior expense	AMT Method	AMT Life	AMT Current	Social security number/EIN	
																	66-0516613	
31	EXTERIOR DOOR	08/10/1995	450		100.00		450	7	200 DB HY	8.93	40	429		150 DB HY	10	10	39	
32	TELEPHONE EQUIPMENT	08/14/1995	1,644		100.00		1,644	7	200 DB HY	8.93	147	1,571		150 DB HY	10	10	144	
33	SIGN & ELECTRIC	08/21/1995	762		100.00		762	7	200 DB HY	8.93	68	728		150 DB HY	10	10	67	
34	AIR CLEANER	08/14/1995	393		100.00		393	7	200 DB HY	8.93	35	375		150 DB HY	10	10	34	
35	FABRICATION-SIGN	09/05/1995	225		100.00		225	7	200 DB HY	8.93	20	215		150 DB HY	10	10	20	
36	FABRICATION	09/08/1995	1,732		100.00		1,732	7	200 DB HY	8.93	155	1,655		150 DB HY	10	10	151	
37	QBE SIGN	09/13/1995	500		100.00		500	7	200 DB HY	8.93	45	479		150 DB HY	10	10	44	
38	OFFICE PLANTS	10/11/1995	201		100.00		201	7	200 DB HY	8.93	18	192		150 DB HY	10	10	18	
39	OFFICE PLANTS	10/17/1995	130		100.00		130	7	200 DB HY	8.93	12	125		150 DB HY	10	10	11	
40	AIR PURIFIER	12/04/1995	1,104		100.00		1,104	7	200 DB HY	8.93	99	1,055		150 DB HY	10	10	96	
41	SOFA & LOVESEAT	02/23/1995	500		100.00		500	7	200 DB HY	8.93	45	479		150 DB HY	10	10	44	
42	DINING SET W/ 6 CHAIR	02/25/1995	600		100.00		600	7	200 DB HY	8.93	54	575		150 DB HY	10	10	52	
43	COFFEE TABLE	02/25/1995	350		100.00		350	7	200 DB HY	8.93	31	334		150 DB HY	10	10	31	
44	VACUUM CLEANER	02/25/1995	100		100.00		100	7	200 DB HY	8.93	9	96		150 DB HY	10	10	9	
45	ENTERTAINMENT CENTER	02/25/1995	300		100.00		300	7	200 DB HY	8.93	27	287		150 DB HY	10	10	26	
46	SHARP TV	02/25/1995	300		100.00		300	7	200 DB HY	8.93	27	287		150 DB HY	10	10	26	
47	SONY VCR	02/25/1995	180		100.00		180	7	200 DB HY	8.93	16	172		150 DB HY	10	10	16	
48	SONY MICROWAVE OVEN	02/25/1995	100		100.00		100	7	200 DB HY	8.93	9	96		150 DB HY	10	10	9	
49	1 QUEEN SIZE BED	02/25/1995	150		100.00		150	7	200 DB HY	8.93	13	85		150 DB HY	10	10	13	
50	2 TWIN SIZE BEDS	02/25/1995	100		100.00		100	7	200 DB HY	8.93	9	96		150 DB HY	10	10	9	
51	2 WHITE LAMPS	02/25/1995	100		100.00		100	7	200 DB HY	8.93	9	96		150 DB HY	10	10	9	
52	1 MIRROR W/ GOLD TRIM	02/25/1995	100		100.00		100	7	200 DB HY	8.93	9	96		150 DB HY	10	10	9	
53	1 CHEST OF WHITE DRAW	02/25/1995	50		100.00		50	7	200 DB HY	8.93	4	46		150 DB HY	10	10	4	
54	1 CHEST OF 5 DRAWERS	02/25/1995	100		100.00		100	7	200 DB HY	8.93	9	96		150 DB HY	10	10	9	
55	BEDSIDE TABLES	02/25/1995	300		100.00		300	7	200 DB HY	8.93	27	287		150 DB HY	10	10	2	
56	2 WHITE BEDSIDE TABLE	02/25/1995	75		100.00		75	7	200 DB HY	8.93	7	73		150 DB HY	10	10	7	
57	1 WHITE BED & MATTRESS	08/02/1995	299		100.00		299	7	200 DB HY	8.93	27	287		150 DB HY	10	10	26	
58	MATTRESSES (2)	08/02/1995	478		100.00		478	7	200 DB HY	8.93	43	458		150 DB HY	10	10	42	
59	1 COMPUTER DESK	08/24/1995	849		100.00		849	7	200 DB HY	8.93	76	812		150 DB HY	10	10	74	
60	3 PC ROSEWOOD ENT CEN	08/24/1995	1,490		100.00		1,490	7	200 DB HY	8.93	133	1,424		150 DB HY	10	10	130	

Case 1:04-cv-00011

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name(s) as shown on return
QBE INSURANCE (INT'L) LIMITED

66-0516513
Social security number/EN

No.	Description	Date	Cost	Salvage	Business percentage	Section 179	Depreciation Basis	Life	Method	Rate	Current depl.	Accumulated Depreciation	Prior expense	AMT	AMT	AMT
														Method	Life	Current
61	3 PC ROSEWOOD COFFEE TELEVISION & VCR	08241995	895		100.00		895	7	200 DB HY	8.93	80	855		150 DB HY	10	78
62			400		100.00		400	7	200 DB HY	8.93	36	383		150 DB HY	10	35
63	COMFORT BLACK CHILDRENS B/RM FURNIT	09251995	788		100.00		788	7	200 DB HY	8.93	70	752		150 DB HY	10	69
64			1,160		100.00		1,160	7	200 DB HY	8.93	104	1,109		150 DB HY	10	101
65	OFFICE DESK	07031995	3,160		100.00		3,160	7	200 DB HY	8.93	282	3,019		150 DB HY	10	276
66	WAGON	07031995	1,050		100.00		1,050	7	200 DB HY	8.93	94	1,004		150 DB HY	10	92
67	4 HB W/ ARM	07031995	1,000		100.00		1,000	7	200 DB HY	8.93	89	955		150 DB HY	10	87
68	17MB W/ ARM	07031995	3,145		100.00		3,145	7	200 DB HY	8.93	281	3,006		150 DB HY	10	275
69	1 BIF UC300 BLK CHAR	07031995	285		100.00		285	7	200 DB HY	8.93	25	271		150 DB HY	10	25
70	1 OFFICE DESK	07031995	195		100.00		195	7	200 DB HY	8.93	17	185		150 DB HY	10	17
71	1 WHITE BOARD	07031995	235		100.00		235	7	200 DB HY	8.93	21	225		150 DB HY	10	21
72	5 3DR LATERAL FILE	07031995	3,245		100.00		3,245	7	200 DB HY	8.93	290	3,100		150 DB HY	10	284
73	4 2 DR LATERAL FILE	07031995	2,196		100.00		2,196	7	200 DB HY	8.93	196	2,098		150 DB HY	10	192
74	1 LED INT 11 CSW REF	07031995	499		100.00		499	7	200 DB HY	8.93	45	478		150 DB HY	10	44
75	1 REFRIGERATOR	07031995	299		100.00		299	7	200 DB HY	8.93	27	287		150 DB HY	10	26
76	1 MICROWAVE OVEN	07031995	177		100.00		177	7	200 DB HY	8.93	16	170		150 DB HY	10	15
77	1 CONFERENCE TABLE	07031995	500		100.00		500	7	200 DB HY	8.93	45	479		150 DB HY	10	44
78	1 OFFICE DESK H/EL	07031995	195		100.00		195	7	200 DB HY	8.93	17	185		150 DB HY	10	17
79	1 COMPUTER DESK KOK	07031995	438		100.00		438	7	200 DB HY	8.93	39	418		150 DB HY	10	38
80	2 FIRE PROOF 4 DR	07031995	800		100.00		800	7	200 DB HY	8.93	71	763		150 DB HY	10	70
81	1 COMP CHR 2 HANGING	07061995	200		100.00		200	7	200 DB HY	8.93	18	192		150 DB HY	10	17
82	1 LATERAL FILE CABINE	07061995	1,077		100.00		1,077	7	200 DB HY	8.93	96	1,029		150 DB HY	10	94
83	PAPER SHREDDER	08021995	203		100.00		203	7	200 DB HY	8.93	18	194		150 DB HY	10	18
84	1 FIRE KING SAFE	08101995	774		100.00		774	7	200 DB HY	8.93	69	739		150 DB HY	10	68
85	5 OFFICE DESK	08231995	1,725		100.00		1,725	7	200 DB HY	8.93	154	1,648		150 DB HY	10	151
86	1 WHITE BOARD	08231995	235		100.00		235	7	200 DB HY	8.93	21	225		150 DB HY	10	21
87	6 WAGON	08231995	900		100.00		900	7	200 DB HY	8.93	80	859		150 DB HY	10	79
88	4 LATERAL FILE CABINE	08231995	2,596		100.00		2,596	7	200 DB HY	8.93	232	2,481		150 DB HY	10	227
89	4 LATERAL FILE CABINE	08231995	2,596		100.00		2,596	7	200 DB HY	8.93	232	2,481		150 DB HY	10	227
90	3 PICTURE FRAMES	10131995	837		100.00		200	DB HY	8.93	75	801	150 DB HY		150 DB HY	10	73

Depreciation Detail Listing

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For your records only

Social security number/IN
66-0516613

name(s) as shown on return

QBE INSURANCE (INT'L) LIMITED										Social security number/IN					
Description	Date	Cost	Salvage	Business percentage	Section 179	Depreciation Basis	Life	Method	Rate	Current depr.	Accumulated Depreciation	Prior expense	AMT	AMT Life	AMT Current
1113 LATERAL FILING CAB	10131995	1,947	100.00	100.00		1,947	7	200 DB HY	8.93	174	1,861	150 DB HY	10	170	170
1122 TELEPHONE LINE	02211996	375	100.00	100.00		375	7	200 DB HY	8.92	33	374	150 DB HY	10	33	33
1133 WINDOW SHUTTERS	04171996	850	100.00	100.00		850	7	200 DB HY	8.92	76	736	150 DB HY	10	74	74
1144 LOCK	02211996	200	100.00	100.00		200	7	200 DB HY	8.92	18	174	150 DB HY	10	17	17
1155 P OCEANA BUS IMPRO	06051995	4,160	100.00	100.00		4,160	39	SL MM	2.564	107	699	SL MM	40	104	104
1166 PARA OCEANA-PARTITION	06131995	6,240	100.00	100.00		6,240	39	SL MM	2.564	160	1,047	SL MM	40	156	156
1177 PARA OCEANA-PAINTING	06151995	4,000	100.00	100.00		4,000	39	SL MM	2.564	103	670	SL MM	40	100	100
1188 PARA OCEANA FABRICATI	06261995	7,645	100.00	100.00		7,645	39	SL MM	2.564	196	1,282	SL MM	40	191	191
1199 PARA OCEANA - KITCHEN	07111995	7,522	100.00	100.00		7,522	39	SL MM	2.564	193	1,246	SL MM	40	188	188
1100 PARA OCEANA STORAGE R	07281995	2,848	100.00	100.00		2,848	39	SL MM	2.564	0	73	472	40	71	71
1101 PARA OCEANA - DOORS	07281995	496	100.00	100.00		496	5	SL MM	2.564	107	SL MM	40	12	12	12
1102 CONSTRUCTION STORAGE	08141995	750	100.00	100.00		750	39	SL MM	2.564	19	122	SL MM	40	19	19
1103 PARA OCEANA - LHI	09191995	16,189	100.00	100.00		16,189	39	SL MM	2.564	415	2,609	SL MM	40	405	405
1104 KITCHEN DOOR EXIT	12271995	869	100.00	100.00		869	39	SL MM	2.564	22	134	SL MM	40	22	22
1105 SHELVING STORAGE	09151997	600	100.00	100.00		600	39	SL MM	2.564	15	65	SL MM	40	15	15
1106 SHELVING STORAGE	09261997	400	100.00	100.00		400	39	SL MM	2.564	10	43	SL MM	40	10	10
1107 12 WINDOWS 95	04031998	1,167	100.00	100.00		1,167	5	SL HY	20	233	1,147	SL HY	5	233	233
1108 96 SUBARU LEGACY	09121996	21,949	100.00	100.00		21,949	5	200 DB HY	5.76	1,775	16,235	150 DB HY	5	1,828	1,828
1109 MITSUBISHI MONTERO	07011997	27,995	100.00	100.00		27,995	5	200 DB MQ	11.3	1,775	14,760	150 DB MQ	5	4,639	4,639
1110 MATTCHAIR 45X53	01121999	546	100.00	546		0	7	200 DB HY	14.81	546	546	200 DB HY	7	7	7
1111 HELVING AND LABOR	04011999	5,620	100.00	5,620		0	7	200 DB HY	14.81	5,620	5,620	200 DB HY	5	5	5
1112 350X 64MB NIC	06021999	3,046	100.00	3,046		0	5	200 DB HY	14.81	3,046	3,046	200 DB HY	5	5	5
1113 CPU P11-350 KAL	06291999	1,537	100.00	1,537		0	5	200 DB HY	14.81	1,537	1,537	200 DB HY	5	5	5
1114 FAN SECC2 P11 FAN	06291999	102	100.00	102		0	5	200 DB HY	14.81	102	102	200 DB HY	5	5	5
1115 MEM 64MB S-DRAW	06291999	539	100.00	539		0	5	200 DB HY	14.81	539	539	200 DB HY	5	5	5
1116 HD 6.4GB FUJITSU	06291999	1,127	100.00	1,127		0	5	200 DB HY	14.81	1,127	1,127	200 DB HY	5	5	5
1117 177MB AMPTRON P11-3748	06291999	1,025	100.00	1,025		0	5	200 DB HY	14.81	1,025	1,025	200 DB HY	5	5	5
1118 7KB LITE-ON SK-1100	06291999	160	100.00	160		0	5	200 DB HY	14.81	160	160	200 DB HY	5	5	5
1119 MSE A4TECH SWM-5	06291999	96	100.00	96		0	5	200 DB HY	14.81	96	96	200 DB HY	5	5	5
1120 CD 24X IDE (OEM)	06291999	214	100.00	214		0	5	200 DB HY	14.81	214	214	200 DB HY	5	5	5

Depreciation Detail Listing

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For your records only

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OBÉ INSURANCE ("INT'L") LIMITED

Form 1120-PC Department of the Treasury Internal Revenue Service		U.S. Property and Casualty Insurance Company Inc. Tax Return For calendar year 2002 or tax year beginning _____, and ending _____ ► Instructions are separate. See page 19 for Paperwork Reduction Act Notice.		OMB No. 1545-1027																																																																
				2002																																																																
<p>A Check applicable box if an election has been made under section(s):</p> <p>(1) <input type="checkbox"/> 953(c)(3)(C)</p> <p>(2) <input type="checkbox"/> 953(d)</p>		<p>Please type or print Name QBE Insurance (International) Limited Number and street, and room or suite no. (If a P.O. box, see page 6 of Instructions) 674 Harmon Loop Road City or town, state, and ZIP code Dededo, GU 96912</p>		<p>B Employer identification number 66-0516613</p> <p>C Date incorporated 10/01/1886</p> <p>D Check if a consolidated return (Attach Form 851) <input type="checkbox"/></p>																																																																
<p>E Check if: (1) Final return (2) Name change (3) Address change (4) Amended return</p>				<table border="1"> <tr><td>1</td><td></td></tr> <tr><td>2</td><td></td></tr> <tr><td>3</td><td></td></tr> <tr><td>4</td><td></td></tr> <tr><td>5</td><td></td></tr> <tr><td>6</td><td></td></tr> <tr><td>7</td><td></td></tr> <tr><td>8a</td><td></td></tr> <tr><td>8b</td><td></td></tr> <tr><td>8c</td><td></td></tr> <tr><td>8d</td><td></td></tr> <tr><td>8e</td><td></td></tr> <tr><td>8f</td><td></td></tr> <tr><td>9</td><td></td></tr> <tr><td>10</td><td>6,103</td></tr> <tr><td>11</td><td></td></tr> <tr><td>12</td><td></td></tr> <tr><td>13</td><td>6,103</td></tr> <tr><td>14a</td><td>254,694</td></tr> <tr><td>14b</td><td></td></tr> <tr><td>14c</td><td></td></tr> <tr><td>14d</td><td></td></tr> <tr><td>14f</td><td>254,694</td></tr> <tr><td>14g</td><td></td></tr> <tr><td>14h</td><td></td></tr> <tr><td>14i</td><td></td></tr> <tr><td>14j</td><td>254,694</td></tr> <tr><td>15</td><td></td></tr> <tr><td>16</td><td></td></tr> <tr><td>17</td><td>248,591</td></tr> <tr><td>18</td><td>248,591</td></tr> <tr><td colspan="2">Refunded <input type="checkbox"/></td></tr> </table>	1		2		3		4		5		6		7		8a		8b		8c		8d		8e		8f		9		10	6,103	11		12		13	6,103	14a	254,694	14b		14c		14d		14f	254,694	14g		14h		14i		14j	254,694	15		16		17	248,591	18	248,591	Refunded <input type="checkbox"/>	
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18	248,591																																																																			
Refunded <input type="checkbox"/>																																																																				
<p>1 Taxable income (Schedule A, line 37).</p> <p>2 Taxable investment income for electing small companies (Schedule B, line 21).</p> <p>3 Check if a member of a controlled group (see sections 1561 and 1563). <input type="checkbox"/></p> <p>Important: Members of a controlled group, see instructions on page 7.</p> <p>a If the box on line 3 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$0-\$25,000 taxable income brackets (in that order):</p> <p>(1) <input type="checkbox"/> (2) <input type="checkbox"/> (3) <input type="checkbox"/> \$ <input type="checkbox"/></p> <p>b Enter the corporation's share of: (1) additional 5% tax (not to exceed \$11,750) <input type="checkbox"/> (2) additional 3% tax (not to exceed \$100,000) <input type="checkbox"/></p> <p>4 Income tax.</p> <p>5 Enter amount of tax that a reciprocal must include.</p> <p>6 Alternative minimum tax (attach Form 4626).</p> <p>7 Total. Add lines 4 through 6.</p> <p>8a Foreign tax credit (attach Form 1118).</p> <p>b Other credits (see page 8 of instructions).</p> <p>c General business credit. Check box(es) and indicate which forms are attached:</p> <p><input type="checkbox"/> Form 3800 <input type="checkbox"/> Form(s) (specify) ►</p> <p>d Credit for prior year minimum tax (attach Form 8827).</p> <p>e Qualified zone academy bond credit (attach Form 8860).</p> <p>f Total credits. Add lines 8a through 8e.</p> <p>9 Subtract line 8f from line 7.</p> <p>10 Foreign corporations - Tax on income not connected with U.S. business Schedule 1 (BPT).</p> <p>11 Personal holding company tax (attach Schedule PH (Form 1120)).</p> <p>12 Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Other (attach schedule).</p> <p>13 Total tax. Add lines 9 through 12.</p> <p>14a Payments: 2001 overpayment credited to 2002. <input type="checkbox"/> 254,694</p> <p>b Prior year(s) special estimated tax payments to be applied <input type="checkbox"/></p> <p>c 2002 estimated tax payments (see Instructions). <input type="checkbox"/> 14c</p> <p>d 2002 special estimated tax payments (Do not include on line 14f).</p> <p>e Less 2002 refund applied for on Form 4466. <input type="checkbox"/> 14e</p> <p>f Enter the total of lines 14a through 14c less line 14e.</p> <p>g Tax deposited with Form 7004.</p> <p>h Credit by reciprocal for tax paid by attorney-in-fact under section 835(d).</p> <p>i Other credits and payments.</p> <p>15 Estimated tax penalty (see page 9 of instructions). Check if Form 2220 is attached. <input type="checkbox"/></p> <p>16 Tax due. If line 14j is smaller than the total of lines 13 and 15, enter amount owed.</p> <p>17 Overpayment. If line 14j is larger than the total of lines 13 and 15, enter amount overpaid.</p> <p>18 Enter amount of line 17 you want Credited to 2003 estimated tax ► \$</p>																																																																				
<p>Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.</p> <p>Signature of officer: <i>Josephine H. H. H. 6-30-03</i> Date: <i>6-30-03</i> Title: <i>MANAGER</i></p> <p>Sign Here</p>		<p>May the IRS discuss this return with the preparer shown below (see instructions)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>																																																																		
<p>Paid Preparer's Use Only</p> <p>Preparer's signature: <i>Ernst & Young LLP</i></p> <p>Firm's name (or yours if self-employed): <i>Ernst & Young LLP</i></p> <p>Address, and ZIP code: <i>231 Ypao Road, Suite 201</i></p> <p>Address, and ZIP code: <i>Tamuning, GU 96913</i></p>		<p>Date: <i>6/18/03</i></p> <p>Check if self-employed <input type="checkbox"/></p> <p>Preparer's SSN or PTIN: 586-74-4371</p>	<p>EIN: 66-0526565</p> <p>Phone no. (671) 649-3700</p>																																																																	

Schedule A Taxable Income - Section 832 (See page 9 of instructions.)

Income	1 Premiums earned (Schedule E, line 7)	1	619,561	
	2 Dividends (Schedule C, line 14)	2		
	3a Gross interest	(a) Interest received	(b) Amortization of premium	
		175,557		
	b Interest exempt under section 103			
	c Subtract line 3b from line 3a	175,557		
	d Taxable interest. Subtract line 3c, column (b) from line 3c, column (a)		3d	175,557
	4 Gross rents		4	
	5 Gross royalties		5	
	6 Capital gain net income (attach Schedule D (Form 1120))		6	
	7 Net gain or (loss) (Form 4797, Part II, line 18 (attach Form 4797))		7	-7,964
8 Certain mutual fire or flood insurance company premiums (section 832(b)(1)(D))		8		
9 Income on account of special income and deduction accounts		9		
10 Income from protection against loss account (see instructions)		10		
11 Mutual interinsurers or reciprocal underwriters - decrease in subscriber accounts		11		
12 Income from a special loss discount account (attach Form 8816)	Foreign exchange gain	12		
13 Other income (attach schedule)		13	412,149	
14 Gross income. Add lines 1 through 13		14	1,199,303	
15 Compensation of officers (attach schedule) (see page 10 of instructions)		15		
16 Salaries and wages (less employment credits)		16		
17 Agency balances and bills receivable that became worthless during the tax year		17		
18 Rents		18		
19 Taxes and licenses		19	285,089	
20a Interest ►	b Less tax-exempt ►	c Bal. ►		
21 Charitable contributions (see page 12 of instructions for 10% limitation)		20c		
22 Depreciation (attach Form 4562)		21		
23 Depletion		22	15,876	
24 Pension, profit-sharing, etc., plans		23		
25 Employee benefit programs		24		
26 Losses incurred (Schedule F, line 14)		25		
27 Additional deduction (attach Form 8816)		26	-641,860	
28 Other capital losses (Schedule G, line 12, column (g))		27		
29 Dividends to policyholders		28		
30 Mutual interinsurers or reciprocal underwriters - increase in subscriber accounts	Other Deductions Stmt	29		
31 Other deductions (see page 13 of instructions) (attach schedule)		30		
32 Total deductions. Add lines 15 through 31		31	1,498,772	
33 Subtotal. Subtract line 32 from line 14		32	1,157,877	
34a Special deduction for section 833 organizations (Schedule H, line 6)	34a	33	41,426	
b Deduction on account of special income and deduction accounts	34b			
c Total. Add lines 34a and 34b		34c		
35 Subtotal. Subtract line 34c from line 33		35	41,426	
36a Dividends-received deduction (Schedule C, line 25)	36a			
b Net operating loss deduction	36b	41,426		
c Total. Add lines 36a and 36b		36c	41,426	
37 Taxable income (subtract line 36c from line 35). Enter here and on page 1, line 1		37		

Schedule B Part I - Taxable Investment Income of Electing Small Companies - Section 834 (See page 14 of instructions.)

	(a) Interest received	(b) Amortization of premium	
Income	1a Gross interest		
	b Interest exempt under section 103		
	c Subtract line 1b from line 1a		1d
	d Taxable interest. Subtract line 1c, column (b) from line 1c, column (a)		2
2	Dividends (Schedule C, line 14)		3
3	Gross rents		4
4	Gross royalties		5
5	Gross income from a trade or business, other than an insurance business, and from Form 4797		6
6	Income from leases described in sections 834(b)(1)(B) and 834(b)(1)(C)		7
7	Gain from Schedule D (Form 1120), line 14		8
8	Gross investment income. Add lines 1d through 7		9
9	Real estate taxes		10
10	Other real estate expenses		11
11	Depreciation (attach Form 4562)		12
12	Depletion		13
13	Trade or business deductions as provided in section 834(c)(8) (attach schedule)		14
14	Interest		15
15	Other capital losses (Schedule G, line 12, column (g))		16
16	Total. Add lines 9 through 15		17
17	Investment expenses (attach schedule)		18
18	Total deductions. Add lines 16 and 17		19
19	Subtract line 18 from line 8		20
20	Dividends-received deduction (Schedule C, line 25)		21
21	Taxable investment income. Subtract line 20 from line 19. Enter here and on page 1, line 2		

Part II - Invested Assets Book Values

(Complete only if claiming a deduction for general expenses allocated to investment income.)

	(a) Beginning of tax year	(b) End of tax year
22	Real estate	22
23	Mortgage loans	23
24	Collateral loans	24
25	Policy loans, including premium notes	25
26	Bonds of domestic corporations	26
27	Stock of domestic corporations	27
28	Government obligations, etc.	28
29	Bank deposits bearing interest	29
30	Other interest-bearing assets (attach schedule)	30
31	Total. Add lines 22 through 30	31
32	Add columns (a) and (b), line 31	32
33	Mean of invested assets for the tax year. Enter one-half of line 32	33
34	Multiply line 33 by .0025	34
35	Income base. Line 1b, column (a) plus line 8 less the sum of line 1b, column (b) and line 16	35
36	Multiply line 33 by .0375	36
37	Subtract line 36 from line 35. Do not enter less than zero	37
38	Multiply line 37 by .25	38
39	Limitation on deduction for investment expenses. Add lines 34 and 38	39

QBE Insurance (International) Limited

Form 1120-PC (2002)

Schedule C **Dividends and Special Deductions**
(See page 15 of instructions.)**Income**

1 Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)

2 Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)

3 Dividends on debt-financed stock of domestic and foreign corporations

4 Dividends on certain preferred stock of less-than-20%-owned public utilities

5 Dividends on certain preferred stock of 20%-or-more-owned public utilities

6 Dividends on stock of certain less-than-20%-owned foreign corporations and certain FSCs

7 Dividends on stock of certain 20%-or-more-owned foreign corporations and certain FSCs

8 Dividends on stock of wholly owned foreign subsidiaries and FSCs

9 Dividends from affiliated companies

10 Other dividends from foreign corporations not included on lines 6, 7, and 8

11 Income from controlled foreign corporations under subpart F (attach Forms 5471)

12 Foreign dividend gross-up (section 78)

13 Other dividends (attach schedule)

14 **Total dividends.** Add lines 1 through 13. Enter here and on Schedule A, line 2, or Schedule B, line 2, whichever applies

Dividends-Received

(a) Subject to section 832(b)(5)(B)

(b) Total dividends-received

1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		

Dividends-Received Deduction

(a) Subject to section 832(b)(5)(B)

(b) Total dividends-received deduction

15		
16		
17		
18		
19		
20		
21		
22		
23		
24		

15 Multiply line 1 by 70%

16 Multiply line 2 by 80%

17 Deduction for line 3 (see page 16 of instructions)

18 Multiply line 4 by 42%

19 Multiply line 5 by 48%

20 Multiply line 6 by 70%

21 Multiply line 7 by 80%

22 Enter the amount from line 8

23 **Total.** Add lines 15 through 22. (See page 16 of instructions for limitation.)

24 **Total.** Add line 23, column (a), and line 9, column (a). Enter here and on Schedule F, line 10

25 **Total deductions.** Add line 23, column (b), and line 9, column (b). Enter here and on Schedule A, line 36a, or Schedule B, line 20, whichever applies

25

Form 1120-PC (2002)

Schedule E Premiums Earned - Section 832 (See page 16 of instructions.)

1	Net premiums written	1	237,685
2	Unearned premiums on outstanding business at the end of the preceding tax year:		
a	Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and all unearned premiums of section 833 organizations	2a	
b	Enter 90% of unearned premiums attributable to insuring certain securities	2b	
c	Discounted unearned premiums attributable to title insurance	2c	
d	Enter 80% of all other unearned premiums	2d	1,397,134
e	Total. Add lines 2a through 2d	2e	1,397,134
3	Total. Add lines 1 and 2e	3	1,634,819
4	Unearned premiums on outstanding business at the end of the current tax year:		
a	Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and all unearned premiums of section 833 organizations	4a	
b	Enter 90% of unearned premiums attributable to insuring certain securities	4b	
c	Discounted unearned premiums attributable to title insurance	4c	
d	Enter 80% of all other unearned premiums	4d	1,015,258
e	Total. Add lines 4a through 4d	4e	1,015,258
5	Subtract line 4e from line 3	5	619,561
6	Transitional adjustments under section 832(b)(7)(D). (See page 17 of instructions.)	6	
7	Premiums earned. Add lines 5 and 6. Enter here and on Schedule A, line 1	7	619,561

Schedule F Losses Incurred - Section 832 (See page 17 of instructions.)

1	Losses paid during the tax year (attach schedule)	1	1,039,372
2	Balance outstanding at the end of the current tax year for:		
a	Unpaid losses on life insurance contracts	2a	
b	Discounted unpaid losses	2b	-951,229
c	Total. Add lines 2a and 2b	2c	-951,229
3	Add lines 1 and 2c	3	88,143
4	Balance outstanding at the end of the preceding tax year for:		
a	Unpaid losses on life insurance contracts	4a	
b	Discounted unpaid losses	4b	730,003
c	Total. Add lines 4a and 4b	4c	730,003
5	Subtract line 4c from line 3	5	-641,860
6	Estimated salvage and reinsurance recoverable at the end of the preceding tax year	6	
7	Estimated salvage and reinsurance recoverable at the end of the current tax year	7	
8	Losses incurred (line 5 plus line 6 less line 7)	8	-641,860
9	Tax-exempt interest subject to section 832(b)(5)(B)	9	
10	Dividends-received deduction subject to section 832(b)(5)(B) (Schedule C, line 24)	10	
11	The increase in policy cash value of section 264(f) policies as defined in section 805(a)(4)(F)	11	
12	Total. Add lines 9, 10, and 11	12	
13	Reduction of deduction under section 832(b)(5)(B). Multiply line 12 by .15	13	
14	Losses incurred deductible under section 832(c)(4). Subtract line 13 from line 8. Enter here and on Schedule A, line 26	14	-641,860

Schedule G Other Capital Losses (See page 17 of instructions.)
 (Capital assets sold or exchanged to meet abnormal insurance losses and to pay dividends and similar distributions to policyholders.)

1	Dividends and similar distributions paid to policyholders	1				
2	Losses paid	2				
3	Expenses paid	3				
4	Total. Add lines 1, 2, and 3	4				
Note. Adjust lines 5 through 8 to cash method if necessary.						
5	Interest received	5				
6	Dividends-received (Schedule C, line 14)	6				
7	Gross rents, gross royalties, lease income, etc., and gross income from a trade or business other than an insurance business including income from Form 4797 (Include gains for invested assets only)	7				
8	Net premiums received	8				
9	Total. Add lines 5 through 8	9				
10	Limitation on gross receipts from sales of capital assets. Line 4 less line 9. If zero or less, enter -0-	10				
(a) Description of capital asset	(b) Date acquired	(c) Gross sales price	(d) Cost or other basis	(e) Expense of sale	(f) Depreciation allowed (or allowable)	(g) Loss ((d) plus (e) less the sum of (c) and (f))
11						
12	Totals - column (c) must not be more than line 10. (Enter amount from column (g) in Schedule A, line 28, or Schedule B, line 15, whichever applies)					

Schedule H Special Deduction And Ending Adjusted Surplus for Section 833 Organizations
 (See page 18 of instructions.)

1	Health care claims incurred during the tax year and liabilities incurred during the tax year under cost-plus contracts	1	
2	Expenses incurred during the tax year in connection with the administration, adjustment, or settlement of health care claims or in connection with the administration of cost-plus contracts	2	
3	Total. Add lines 1 and 2	3	
4	Multiply line 3 by .25	4	
5	Beginning adjusted surplus	5	
6	Special deduction. Subtract line 5 from line 4. If zero or less, enter -0-. Enter here and on Schedule A, line 34a. (See page 18 of instructions for limitation.)	6	
7	Net operating loss deduction (Schedule A, line 36b)	7	
8	Net exempt income: a Adjusted tax-exempt income b Adjusted dividends-received deduction	8a	
9	Taxable income (Schedule A, line 37)	8b	
10	Ending adjusted surplus. Add lines 5 through 9	9	
		10	

Schedule I Other Information (See page 18 of instructions.)

	Yes	No	Yes	No
1 Check method of accounting:			(c) The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached ►	
a <input type="checkbox"/> Cash				
b <input checked="" type="checkbox"/> Accrual				
c <input type="checkbox"/> Other (specify) ►				
2 Check box for kind of company:			7 Has the corporation elected to use its own payout pattern for discounting unpaid losses and unpaid loss adjustment expenses?	<input checked="" type="checkbox"/>
a <input type="checkbox"/> Mutual			8 a Enter the total unpaid losses shown on the corporation's annual statement:	
b <input checked="" type="checkbox"/> Stock			(1) for the current tax year: <u>-951,229</u>	
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)	<input checked="" type="checkbox"/>		(2) for the previous tax year: <u>1,134,991</u>	
If "Yes," attach a schedule showing:			b Enter the total unpaid loss adjustment expenses shown on the corporation's annual statement:	
(a) name and employer identification number (EIN);			(1) for the current tax year: <u>0</u>	
(b) percentage owned; and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.			(2) for the previous tax year: <u>0</u>	
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?	<input checked="" type="checkbox"/>		9 Does the corporation discount any of the loss reserves shown on its annual statement?	<input checked="" type="checkbox"/>
If "Yes," enter name and EIN of the parent corporation ►			10 Enter the amount of tax-exempt interest received or accrued during the tax year ► <u>0</u>	
5 At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)	<input checked="" type="checkbox"/>		11 If the corporation has an NOL for the tax year and is electing to forgo the carryback period, check here. ► <input type="checkbox"/>	
If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.)			If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3)(i) or (ii) must be attached or the election will not be valid.	
Enter percentage owned ►			12 Enter the available NOL carryover from prior tax years. (Do not reduce it by any deduction on line 36b, Schedule A.) ► <u>490,677</u>	
6 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of:				
(a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation? If "Yes," enter:				
(a) Percentage owned ► and (b) Owner's country ►				

Note: If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

Schedule L Balance Sheets per Books (All filers are required to complete this schedule.)

Assets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
1 Cash		280,973		758,481
2 a Trade notes and accounts receivable	1,155,079		963,598	
b Less allowance for bad debts	()	1,155,079	()	963,598
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities (see page 19 of instructions)				
6 Other current assets (attach schedule)		328,346		298,415
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)		7,736,400		4,600,000
10 a Buildings and other depreciable assets	273,044		248,152	
b Less accumulated depreciation	(245,856)	27,188	(242,297)	5,855
11 a Depletable assets				
b Less accumulated depletion	()	()	()	
12 Land (net of any amortization)				
13 a Intangible assets (amortizable only)				
b Less accumulated amortization	()	392,701		293,410
14 Other assets (attach schedule)		9,920,687		6,919,759
15 Total assets				
Liabilities and Shareholders' Equity				
16 Accounts payable		223,374		35,963
17 Mortgages, notes, bonds payable in less than 1 year				
18 Insurance liabilities (See page 19 of instructions)		2,476,420		317,843
19 Other current liabilities (attach schedule)		293,630		314,434
20 Loans from shareholders				
21 Mortgages, notes, bonds payable in 1 year or more				
22 Other liabilities (attach schedule)				
23 Capital stock: a Preferred stock				
b Common stock				
24 Additional paid-in capital		8,271,419		7,690,627
25 Retained earnings - Appropriated (attach schedule)				
26 Retained earnings - Unappropriated		-1,344,156		-1,439,108
27 Adjustments to shareholders' equity (attach schedule)				
28 Less cost of treasury stock		()		
29 Total liabilities and shareholders' equity		9,920,687		6,919,759

Schedule M-1 Reconciliation of Income (Loss) per Books with Income per Return (See page 19 of instructions.)

(The corporation is not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d), of Schedule L are less than \$25,000.)

1 Net income (loss) per books	-94,952	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax per books	60,460	a Tax-exempt interest	
3 Excess of capital losses over capital gains		See Ln 7 Stmt 18,042	18,042
4 Income subject to tax not recorded on books this year (itemize)		8 Deductions in this tax return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		a Depreciation	
a Depreciation	9,759	b Charitable contributions	
b Charitable contributions	536	See Ln 8 Stmt 12,105	12,105
c Travel and entertainment	2,548	9 Add lines 7 and 8	30,147
See Ln 5 Stmt 93,222		10 Income (Schedule A, line 35) - subtract line 9 from line 6	41,426
6 Add lines 1 through 5	71,573		

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (line 26, Schedule L)

1 Balance at beginning of year	-1,344,156	5 Distributions: a Cash	
2 Net income (loss) per books	-94,952	b Stock	
3 Other increases (itemize)		c Property	
4 Add lines 1, 2, and 3		6 Other decreases (itemize)	
		7 Add lines 5 and 6	
		8 Balance at end of year (subtract line 7 from line 6)	

Depreciation and Amortization
(Including Information on Listed Property)

OMB No. 1545-0172

2002

67

Department of the Treasury
Internal Revenue Service

Name(s) shown on return

QBE Insurance (International) Limited

Business or activity to which this form relates

Insurance

Part I Election To Expense Certain Tangible Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See instructions for a higher limit for certain businesses	1	\$24,000.
2	Total cost of section 179 property placed in service (see instructions)	2	5,290.
3	Threshold cost of section 179 property before reduction in limitation	3	\$200,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0.
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	24,000.

	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
6			
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	0.
10	Carryover of disallowed deduction from line 13 of your 2001 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2003. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	1,587.
15	Property subject to section 168(f)(1) election (see instructions)	15	
16	Other depreciation (including ACRS) (see instructions)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions)

		Section A			
17	MACRS deductions for assets placed in service in tax years beginning before 2002		17		9,411.
18	If you are electing under section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>				

Section B - Assets Placed in Service During 2002 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property		3,703.	5 yrs	MQ	200DB	185.
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property			25 yrs		S/L	
g 25-year property			27.5 yrs	MM	S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property			39 yrs	MM	S/L	
				MM	S/L	

Section C - Assets Placed in Service During 2002 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs		S/L	
c 40-year			40 yrs	MM	S/L	

Part IV Summary (see instructions)

21	Listed property. Enter amount from line 28	21	4,693.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	22	15,876.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

BAA For Paperwork Reduction Act Notice, see instructions.

FDI20812 12/12/02

Form 4562 (2002)

Form 4562 (2002)

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A – Depreciation and Other Information (Caution: See instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No							24b If 'Yes,' is the evidence written? <input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)							25	
Subaru Legacy	09/12/96	100.00	21,949.	21,949.	5.00	MF200/HY	1,143.	
Mitsubishi Montaro	07/01/97	100.00	26,832.	26,832.	5.00	MF200/MQ	1,775.	
Toyota Camry	10/08/97	100.00	22,500.	22,500.	5.00	MF200/MQ	1,775.	
27 Property used 50% or less in a qualified business use (see instructions):								
							28	4,693.
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							29	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								

Section B – Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other 'more than 5% owner,' or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

30 Total business/investment miles driven during the year (do not include commuting miles – see instructions)	(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6						
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C – Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	Yes	No
		X
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See instructions for vehicles used by corporate officers, directors, or 1% or more owners	X	
39 Do you treat all use of vehicles by employees as personal use?		X
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		X
41 Do you meet the requirements concerning qualified automobile demonstration use? (see instructions)		X

Note: If your answer to 37, 38, 39, 40, or 41 is 'Yes,' do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2002 tax year (see instructions):					
43 Amortization of costs that began before your 2002 tax year					
					43
44 Total. Add amounts in column (f). See instructions for where to report					
					44

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on return

Sales of Business Property
(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))
► Attach to your tax return. ► See separate instructions.

Identifying number
66-0516613

QBE Insurance (International) Limited

1 Enter the gross proceeds from sales or exchanges reported to you for 2002 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) 1

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft – Most Property Held More Than 1 Year (See instructions.)

2 (a) Description of property	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
Subaru Legacy	09/12/96	03/25/02	2050	17378	21949	-2521
Manager's Furniture	10/01/00	01/01/02		2398	7142	-4744

3 Gain, if any, from Form 4684, line 39 3

4 Section 1231 gain from installment sales from Form 6252, line 26 or 37 4

5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824 5

6 Gain, if any, from line 32, from other than casualty or theft 6

7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows 7 -7,265.

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 6, or Form 1120S, Schedule K, line 5. Skip lines 8, 9, 11, and 12 below.

All others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on Schedule D and skip lines 8, 9, 11, and 12 below.

8 Nonrecaptured net section 1231 losses from prior years (see instructions) 8

9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on Schedule D (see instructions) 9

Part II Ordinary Gains and Losses

10 Ordinary gains and losses not included on lines 11 through 17 (include property held 1 year or less):						
Fixed assets	06/30/01	01/01/02		393	1092	-699

11 Loss, if any, from line 7 11 -7,265.

12 Gain, if any, from line 7 or amount from line 8, if applicable 12

13 Gain, if any, from line 31 13

14 Net gain or (loss) from Form 4684, lines 31 and 38a 14

15 Ordinary gain from installment sales from Form 6252, line 25 or 36 15

16 Ordinary gain or (loss) from like-kind exchanges from Form 8824 16

17 Recapture of section 179 expense deduction for partners and S corporation shareholders from property dispositions by partnerships and S corporations (see instructions) 17

18 Combine lines 10 through 17. Enter the gain or (loss) here and on the appropriate line as follows 18 -7,964.

a For all except individual returns. Enter the gain or (loss) from line 18 on the return being filed.

b For individual returns:

(1) If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from Form 4797, line 18b(1). See instructions.

(2) Redetermine the gain or (loss) on line 18 excluding the loss, if any, on line 18b(1). Enter here and on Form 1040, line 14 18b (2)

BAA For Paperwork Reduction Act Notice, see instructions.

Form 1120, Page 1, Line 26
Other Deductions Statement

Commissions	472,134.
Administrative expenses	180,000.
Deferred acquisition costs	28,949.
Sundries	817,689.
Total	1,498,772.

Form 1120, Page 4, Schedule L, Line 6
Ln 6 Stmt

Other Current Assets:	Beginning of tax year	End of tax year
Accrued investment income	48,657.	16,777.
Prepaid expenses	11,004.	863.
Prepaid income tax	254,694.	260,694.
Sundry debtors	13,991.	20,081.
Total	328,346.	298,415.

Form 1120, Page 4, Schedule L, Line 9
Ln 9 Stmt

Other Investments:	Beginning of tax year	End of tax year
Investment	7,736,400.	4,600,000.
Total	7,736,400.	4,600,000.

Form 1120, Page 4, Schedule L, Line 14
Ln 14 Stmt

Other Assets:	Beginning of tax year	End of tax year
Deferred commissions	392,701.	293,410.
Total	392,701.	293,410.

Form 1120, Page 4, Schedule L, Line 18
Ln 18 Stmt

Other Current Liabilities:	Beginning of tax year	End of tax year
Accrued expenses	29,239.	17,479.
Provision for doubtful debts	212,023.	249,547.
Provision for holiday pay	6,637.	17,334.
Due from other creditors	45,731.	30,074.
Total	293,630.	314,434.

Form 1120, Page 4, Schedule M-1, Line 5

Ln 5 Stmt

Unpaid losses	45,001.
Increase in provision for doubtful debts	37,524.
Increase in provision for holiday pay	10,697.
Total	<u>93,222.</u>

Form 1120, Page 4, Schedule M-1, Line 7

Ln 7 Stmt

Unearned premiums	18,042.
Total	<u>18,042.</u>

Form 1120, Page 4, Schedule M-1, Line 8

Ln 8 Stmt

Tax over book loss on sale of assets	12,105.
Total	<u>12,105.</u>

Form 1120-F (2002)

Schedule 1

SECTION III - Branch Profits Tax and Tax on Excess Interest

Part I - Branch Profits Tax (See page 19 of instructions.)

1	Enter the amount from Section II, line 29	1	41,426
2	Enter total adjustments to line 1 to get effectively connected earnings and profits. (Attach a schedule showing the nature and amount of adjustments.) (See instructions.)	2	-738
3	Effectively connected earnings and profits. Combine line 1 and line 2	3	40,688
4a	Enter U.S. net equity at the end of the current tax year. (Attach schedule.)	4a	3,459,879
b	Enter U.S. net equity at the end of the prior tax year. (Attach schedule.)	4b	4,960,344
c	Increase in U.S. net equity. If line 4a is greater than or equal to line 4b, subtract line 4b from line 4a. Enter the result here and skip to line 4e.	4c	
d	Decrease in U.S. net equity. If line 4b is greater than line 4a, subtract line 4a from line 4b.	4d	1,500,465
e	Non-previously taxed accumulated effectively connected earnings and profits. Enter excess, if any, of effectively connected earnings and profits for preceding tax years beginning after 1986 over any dividend equivalent amounts for those tax years	4e	0
5	Dividend equivalent amount. Subtract line 4c from line 3. If zero or less, enter -0-. If no amount is entered on line 4c, add the lesser of line 4d or line 4e to line 3 and enter the total here	5	40,688
6	Branch profits tax. Multiply line 5 by 30% (or lower treaty rate if the corporation is a qualified resident or otherwise qualifies for treaty benefits). Enter here and include on line 3, page 1. (See instructions.) Also complete items W and X below	6	6,103

Part II - Tax on Excess Interest (See page 20 of instructions.)

7a	Enter the interest from Section II, line 18	7a	
b	Enter the interest apportioned to the effectively connected income of the foreign corporation that is capitalized or otherwise nondeductible	7b	
c	Add lines 7a and 7b	7c	
8	Enter the branch interest (including capitalized and other nondeductible interest). (See instructions for definition.) If the interest paid by the foreign corporation's U.S. trade or business was increased because 80% or more of the foreign corporation's assets are U.S. assets, check this box ► <input type="checkbox"/>	8	
9a	Excess interest. Subtract line 8 from line 7c. If zero or less, enter -0-	9a	
b	If the foreign corporation is a bank, enter the excess interest treated as interest on deposits. Otherwise, enter -0-. (See instructions.)	9b	
c	Subtract line 9b from line 9a	9c	
10	Tax on excess interest. Multiply line 9c by 30% or lower treaty rate (if the corporation is a qualified resident or otherwise qualifies for treaty benefits). (See instructions.) Enter here and include on line 3, page 1. Also complete items W and X below	10	

Additional Information Required (continued from page 2)

V	Is the corporation claiming a reduction in, or exemption from, the branch profits tax due to:	Yes	No	X If the corporation is claiming it is a qualified resident of its country of residence for purposes of computing its branch profits tax and excess interest tax (see page 20 of instructions), check the basis for that claim: Stock ownership and base erosion test <input type="checkbox"/> Publicly traded test <input type="checkbox"/> Active trade or business test <input type="checkbox"/> Private letter ruling <input type="checkbox"/>
	(1) A complete termination of all U.S. trades or businesses?		X	
	(2) The tax-free liquidation or reorganization of a foreign corporation?		X	
	(3) The tax-free incorporation of a U.S. trade or business?		X	
W	If (1) applies or (2) applies and the transferee is domestic, attach Form 8848. If (3) applies, attach the statement required by Regulations section 1.884-2T(d)(5).			Y During the tax year, did the corporation own any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," attach a statement listing the name, country under whose laws the entity was organized, and EIN (if any) of each such entity <input type="checkbox"/> Z During the tax year, did the corporation own at least a 10% interest, directly or indirectly, in any foreign partnership? If "Yes," see page 21 of instructions for required attachment <input type="checkbox"/>
	Is the corporation taking a position on this return that a U.S. tax treaty overrules or modifies an Internal Revenue law of the United States thereby causing a reduction of tax? If "Yes," complete and attach Form 8833.	X		
Note: Failure to disclose a treaty-based return position may result in a \$10,000 penalty (see section 6712).				

Schedule 2

QBE Insurance(International) Limited

EIN: 66-0516613

December 31, 2002

Adjustments to Arrive at Effectively Connected Earnings & Profits
Form 1120-F, Page 5, Section III, Part I, Line 2

Meals & Entertainment	(2,548)
Loss on Sale of Fixed Assets	12,105
Charitable contributions	(536)
Depreciation	<u>(9,759)</u>
	<u>(738)</u>

Schedule 3

QBE Insurance(International) Limited

EIN: 66-0516613

December 31, 2002

**Computation of Guam Net Equity Under Regs. §1.884-1
Form 1120-F, Page 5, Section III, Part I, Lines 4a and 4b**

	<u>12/31/01</u>	<u>12/31/02</u>
(1) Asset Determination:		
Guam Assets	9,920,687	6,919,759
Less: Interbranch Assets	0	0
Guam Connected Assets	9,920,687	6,919,759
(2) Liability Determination:		
Fixed Ratio	50.00%	50.00%
Guam Connected Assets	9,920,687	6,919,759
Guam Connected Liabilities	4,960,343	3,459,880
Reduction in Liabilities	0	0
Guam Adjusted Liabilities	4,960,343	3,459,880
(3) Guam Net Equity:	<u>4,960,344</u>	<u>3,459,879</u>

EXHIBIT OF PREMIUMS AND LOSSES (STATUTORY PAGE 14 DATA)

After Bar Code 430 above

DETAILS OF WHITE-MAN

3

3398. Summary of remaining white-tops for Line 33 from overflow page.
3398. TURN'S Bluffs 3301 3304 3303 plus 3398 Line 33, above.

Attach a separate Form 8833 for each treaty-based return position taken. Failure to disclose a treaty-based return position may result in a penalty of \$1,000 (\$10,000 in the case of a C corporation) (see section 6712).

Name QBE Insurance (International) Limited	U.S. taxpayer identifying number 66-0516613
Address in country of residence 345 George Street, Level 7 Sydney, NSW 2000	Address in the United States 674 Harmon Loop Road Dededo, GU 96912

Check one or both of the following boxes as applicable:

- The taxpayer is disclosing a treaty-based return position as required by section 6114 ►
- The taxpayer is a dual-resident taxpayer and is disclosing a treaty-based return position as required by
Regulations section 301.7701(b)-7 ►

Check this box if the taxpayer is a U.S. citizen or resident or is incorporated in the United States ►

1 Enter the specific treaty position relied on: a Treaty country Australia b Article(s) Article 10	3 Name, identifying number (if available to the taxpayer), and address in the United States of the payor of the income (if fixed or determinable annual or periodical). See instructions. N/A
2 List the Internal Revenue Code provision(s) overruled or modified by the treaty-based return position IRC Sec. 884	

4 List the provision(s) of the limitation on benefits article (if any) in the treaty that the taxpayer relies on to prevent application of that article ►

5 Explain the treaty-based return position taken. Include a brief summary of the facts on which it is based. Also, list the nature and amount (or a reasonable estimate) of gross receipts, each separate gross payment, each separate gross income item, or other item (as applicable) for which the treaty benefit is claimed

Taxpayer is a resident of Australia and is claiming the reduced rate of tax on gross dividends. The maximum rate of tax on gross dividends is 15 percent pursuant to Article 10 of the Australia Income Tax Treaty. Taxpayer will apply this provision to any branch profits tax obligation as the branch profits tax is effectively a tax on dividends.

Net Operating Loss Summary

NOL Carryover Year	A NOL Carryover Available	B Deduction Allowed in Current Year	C Adjustment Under Section 172(b)(2)	D Remaining Carryover New Law	E Remaining Carryover Old Law
2001	490,677.	41,426.	864.	450,115.	0.
2000					
1999					
1998					
1997					
1996					
1995					
1994					
1993					
1992					
1991					
1990					
1989					
1988					
1987					
Totals	490,677.	41,426.	864.	450,115.	0.
Less: Carryover expiring due to 15-year limitation					
Add: Current year net operating loss					
Less: Carryback of current year net operating loss					
Net operating loss carryover to next year					450,115.

CPCW7601.SCR 06/03/02

CARLSMITH BALL LLP

A LIMITED LIABILITY LAW PARTNERSHIP

BANK OF HAWAII BLDG., SUITE 401
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TELEPHONE 671.472.6813 FAX 671.477.4375
WWW.CARLSMITH.COM

DIRECT DIAL NO.
311

DCALVO@CARLSMITH.COM

RECEIVED

DEC 23 2003

DEPT. OF REVITAX
DIRECTOR'S OFFICE
INITIAL: *ED*

OUR REFERENCE NO.:
052277-00003

December 23, 2003

VIA HAND DELIVERY

Mr. Artemio B. Ilagan
Director
Department of Revenue and Taxation
Government of Guam
P.O. Box 23607
GMF, Guam 96921

Re: QBE Insurance (International) Limited: EIN#66-0516613 - Demand for Payment of Tax Refund

Dear Director Ilagan:

Enclosed herewith please find a copy of Form 2848 which designates the undersigned as attorney in fact for QBE Insurance (International) Limited in connection with all matters related to QBE's income tax filing for 2002 and the tax refund QBE is entitled to thereunder.

Also enclosed for your review, please find a copy of Form 1120-PC, QBE's U.S. Property and Casualty Insurance Company Income Tax Return for 2002 dated June 18, 2003 (the "QBE Return") and filed with Department of Revenue & Taxation ("DRT") on July 1, 2003. QBE has requested our office to assist it in connection with recovering its claim of refund as indicated in the QBE Return.

The salient facts relative to QBE's claim of refund are as follows. First, Line 17 of the QBE Return illustrates that QBE has overpaid taxes in the amount of \$248,591.00. As indicated in Line 18, QBE seeks a refund of this entire amount. QBE has been awaiting payment of its refund for over six (6) months but the claim to date remains unpaid.

In seeking to recover its claim of refund, QBE has several available options. First, QBE may institute suit against DRT to recover the claim of refund. As a second option, QBE and DRT may enter into an amicable arrangement which provides for the payment of the claim of refund.

With regards to the first option, the following law is applicable. Section 7422(a) of the Internal Revenue Code provides:

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Mr. Artemio B. Ilagan

December 23, 2003

Page 2

(a) **No suit prior to filing claim for refund.** No suit or proceeding shall be maintained in any court for the recovery of any internal revenue tax alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority, or of any sum alleged to have been excessive or in any manner wrongfully collected, until a claim for refund or credit has been duly filed with the Secretary, according to the provisions of the law in that regard, and the regulations of the Secretary established in pursuance thereof.

26 U.S.C.A. §7422(a).

In the instant case, QBE has filed its claim of refund. Under IRC Regulation §301.6402-3(a)(5), if a taxpayer elects to receive a cash refund on its return, its filed income tax return or amended return constitutes a claim for refund and no other written claim need be filed. The QBE Return filed on July 1, 2003 thus constitutes its claim of refund as contemplated under §7422(a). In addition to the requirement that a claim for refund be filed, IRC §6532(a) further provides in relevant part that "no suit or proceeding under §7422 for the recovery of any ... tax... shall be begun before the expiration of 6 months from the date of filing the claim required under such section."

At this juncture, QBE is entitled under the above referenced statutes and regulations to institute suit against DRT for its claim of refund. More than 6 months have lapsed since QBE filed its claim of refund on July 1, 2003.

Despite its right to file suit, QBE would like to avail itself of its other option and attempt to recover the refund from DRT in an amicable and less costly manner.

In that regard, we are hereby requesting that DRT respond to this letter or contact our office within ten (10) working days of receipt of this letter to discuss the manner of payment of QBE's refund. If contact is not made within that time, QBE, unfortunately, will have no other option than to institute suit for recovery of its claim of refund against DRT as noted herein.

We look forward to your response and should you have any questions regarding this matter, please do not hesitate to contact me.

Very truly yours,



Donald V. Calvo

DVC:dai

4832-1719-4752.1.052277-00003

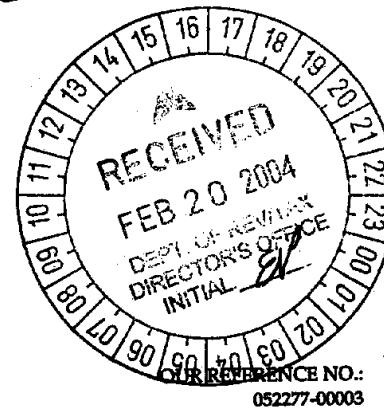
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February 20, 2004

VIA HAND DELIVERY

Mr. Artemio B. Ilagan
Director
Department of Revenue and Taxation
Government of Guam
P.O. Box 23607
GMF, Guam 96921

Re: QBE Insurance (International) Limited: EIN#66-0516613 - Demand for Payment of Tax Refund

Dear Director Ilagan:

This letter is further to my letter to you dated December 23, 2003 concerning the above referenced matter. A copy of said letter, which was received by your office on December 23, 2003, is attached hereto for your review. As of this date, our office, on behalf of QBE Insurance (International) Limited ("QBE"), has not received a response to said letter and has not been contacted by any representative of the Department of Revenue & Taxation ("DRT") concerning QBE's claim of refund set forth in its Form 1120-PC Guam Territorial Income Tax Return filed with DRT on July 1, 2003.

As you may be aware, QBE has been attempting to recover its claim of refund in connection with tax overpayments it has made since January 30, 2002 when it filed its Form 4466 Application for Quick Refund of Overpayment of Estimated Tax. Despite its application in that regard made over two (2) years ago, its filing for a claim of refund on July 1, 2003 and the correspondence of December 23, 2003, the matter concerning the payment of QBE's claim of refund remains unresolved.

In my letter of December 23, 2003, DRT was informed that if no contact by DRT was made within ten (10) working days of receipt of said letter, QBE would have no other alternative but to institute suit to recover its claim of refund. Ten (10) working days since DRT's receipt of said letter have long passed. Thus, enclosed herewith, please find an unsigned and unfiled copy of the complaint QBE intends to file against DRT to recover its claim of refund.

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Mr. Artemio B. Ilagan

February 20, 2004

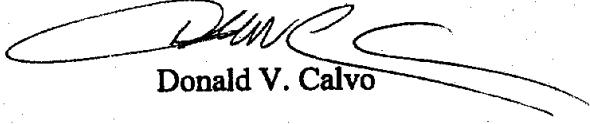
Page 2

Prior to its filing, however, QBE would like to once again afford DRT the opportunity to address this matter without the necessity of litigation which in the end would be costly for both parties.

In that regard, we are hereby requesting that DRT respond to this letter or contact our office no later than 5:00 p.m., February 25, 2004, concerning QBE's claim of refund. If contact is not made by that time, QBE will file its complaint the following day in the U.S. District Court of Guam.

We look forward to your response and should you have any questions regarding this matter, please do not hesitate to contact me.

Very truly yours,


Donald V. Calvo

DVC:dai

cc: Rogelio M. Noche, Jr.

Enclosures

4811-4265-6000.1.052277-00003

United States District Court

DISTRICT OF Guam, U.S.A.

QBE INSURANCE (INTERNATIONAL) LIMITED,

Plaintiff,

v.

SUMMONS IN A CIVIL CASE

TAX

CASE NUMBER: 04-00011

GOVERNMENT OF GUAM,

Defendant.

TO: (Name and address of defendant)

The Honorable Felix P. Camacho
Governor of Guam
Governor's Office
Government of Guam
Suite 405, Pacific News Building
238 Archbishop Flores St.
Hagatna, Guam 96910

YOU ARE HEREBY SUMMONED and required to serve upon PLAINTIFF'S ATTORNEY (name and address)

Donald V. Calvo
Meredith M. Sayre
Carlsmith Ball LLP
Bank of Hawaii Building, Suite 401
134 W. Soledad Avenue
Hagatna, Guam 96910
Phone: 472-6813
Fax: 477-4375

an answer to the complaint which is herewith served upon you, within sixty (60) days after service of this summons upon you, exclusive of the day of service. If you fail to do so, judgment by default will be taken against you for the relief demanded in the complaint. You must also file your answer with the Clerk of this Court within a reasonable period of time after service.

CLERK OF THE COURT
CLERK OF GUAM

MAR 04 2004

CLERK

DATE

(BY) DEPUTY CLERK



ACKNOWLEDGED RECEIPT

By: Myreez
Date: 3-4-04